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NEWS SUMMARY

GENERAL

Doctors given 31.4% pay rise

Britain's 84,000 doctors and dentists are to receive a 31.4 per cent pay rise. GP's salaries will rise by £4,000 to more than £16,000 a year. Hospital consultants on the top scale will earn nearly £20,000, and dentists pay will go up to £14,674.

French unable to agree

France and the Soviet Union agreed "far apart" over the Afghanistan crisis after talks between the nations' leaders in Warsaw, the first time President Brezhnev has met a Western leader since the Soviet invasion.

Austria and Sweden are to ignore the call for a boycott of the Olympic Games in Moscow. Italy will not send an official team, but its athletes will be able to compete as individuals.

Schmidt accused

Chancellor Helmut Schmidt was accused by West Germany's Opposition Christian Democrats of pursuing dangerous anti-U.S. policies and trying to establish a special role for Bonn outside the Western Alliance.

Volcano death toll

Seven motorists and the pilot of a light aircraft were among those killed when the volcanic Mount St Helens erupted in the U.S.

Terrorists held

Four Red Brigades terrorists who shot dead a Christian Democrat politician in Naples were arrested by police after a gun battle.

Premier hurt

Portuguese Premier Francisco de Carvalho abandoned a tour of Europe after injuring his back in a car crash shortly after arriving in London. He was rushed to hospital by Margaret Thatcher and later returned to Lisbon.

Heathrow alert

A British Airways Boeing 747 carrying 300 passengers from Brussels to Dallas made an emergency landing at Heathrow Airport after two of its four engines, one on each wing, developed faults.

Housing probe

Councillors in the London Borough of Lambeth could be liable to a surcharge if allegations of reckless extravagance in the administration of the authority's housing revenue account are accepted by the district auditor.

Threat to fares

Bus fares are expected to rise as a result of Government plans to increase licensing fees for public service vehicles by more than 40 per cent next month.

Briefly

Liverpool footballers Ray Kennedy and Jimmy Case were each fined £150 for assaulting a Llangollen hotelier and his son. Iranian electronics technician was remanded in custody charged with conspiracy in cause explosions in London. Two Polish climbers have reached the summit of Mount Everest using the South Pillar route for the first time.

PUBLISHER'S NOTICE

The Financial Times apologises for errors contained in this issue which are due to difficulties in the reading department.

CHIEF PRICE CHANGES YESTERDAY

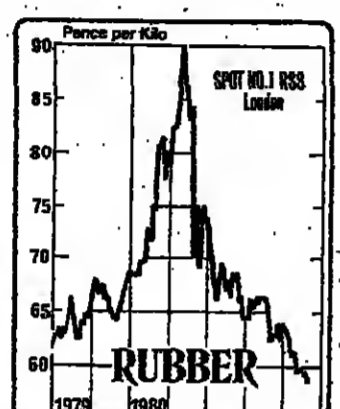
(Prices in pence unless otherwise indicated)	
RISERS:	
Aberdeen Const'n	107 + 5
ANZ	230 + 5
British Sugar	206 + 4
Dobson Park	107 + 5
Forman (J. H.)	130 + 4
Land Securities	342 + 12
Laurence Scott	62 + 16
Poly Pack	42 + 6
Solihull	483 + 6
Steel Brothers	175 + 25
Conzinc Riotinto	263 + 7
Leichard, Exph.	230 + 5
Rustenburg Plat.	219 + 7
Southvaal	862 + 63
Venterspost	623 + 31
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Sanatani	16 - 10
Canadeco Resources	328 - 10
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BUSINESS

£ and \$ steady; rubber falls

● DOLLAR rose to DM 1.8015 (DM 1.7940) in this trading. Its trade-weighted index was unchanged at 85.5. STERLING closed 5 points off at \$2.2635, but its index improved 0.1 to 73.2. Page 29

● GOLD lost \$2 in London to finish at \$514.5. Page 29



● RUBBER: The London spot price dropped 50p to 53.5p a kilo. Page 31

● EQUITIES closed above their worst, and the FT 30-Share index, off 3.7 at 3 pm, finished 1.9 down at 433.8. Page 32

● GILTS losses were reduced on news of U.S. prime-rate falls and the Government Securities index fell 0.15 at 67.61. Page 32

● WALL STREET was up 5.80 at 832.68 near the close. Page 30

● MORGAN GUARANTY lowered its prime lending rate by half a point to 18 per cent. Back Page

● CITIBANK in New York will today launch its attack on UK retail banking with a savings and loans service not available from the big British clearing banks. Back Page

● RETAIL PRICE inflation will still be running at more than 18 per cent at the end of the year, well above the Government's forecast of 16.5 per cent, according to the Henley Centre for Forecasting. Page 8

● INTERNATIONAL HARVESTER is carrying out a "major reappraisal" of its UK manufacturing programme, which will cut the working weeks of employees at its Doncaster and Bradford plants.

● INSPECTORS investigating a company's affairs will be asked to complete their report within a year, Secretary for Trade John Nott announced. Page 6

LABOUR

● TWO UNION moderates said there would be no co-operation with the present Government, and the TUC adjourned last week's day of protest a much bigger success than reported. Back Page 11

● POST OFFICE warned that it would cut staff and introduce new working practices to improve efficiency unless the Union of Post Office Workers agreed to local productivity deals. Page 11

COMPANIES

● LAND SECURITIES Investment Trust, the property development and investment company, lifted pre-tax profits for the year by £11.7m to £38.12m. Page 22 and Lex, Back Page

● READCUT International, the rug kits and textile products group, reports pre-tax profits for the year down £4.68m to £4.63m despite turnover 6.7 per cent ahead at £92.77m. Page 22

● TWO U.S. RETAIL groups announced high falls in first quarter net earnings. Sears Roebuck was down \$91m to \$59m (£25.8m), and J. C. Penney finished \$21m lower at \$14m (£6.1m). Sears results, Page 26

Iran sanctions not to be backdated after MPs rebel

BY RICHARD EVANS, LOBBY EDITOR

THE PRIME MINISTER last night vetoed a Government plan to introduce retrospective economic sanctions against Iran following a threatened Conservative rebellion.

Government Orders, introducing sanctions, are expected to be tabled in Parliament by Thursday, but will relate only to contracts taken out by British companies in future.

The other eight members of the EEC have been informed of the Government decision, which is likely to put the UK out of step with its Common Market partners. Backdating of the sanctions Orders was agreed at the meeting of Foreign Ministers in Naples at the weekend, to maintain a concerted front.

Foreign Secretary, had told the Commons yesterday that the legislation would affect all contracts for export of goods to Iran entered into after November 4, when the U.S. Embassy in Tehran was seized.

There was immediate uproar from both Conservative and Labour MPs, who protested that Ministers had given the impression in debates last week that there would be no backdating to make contracts already signed invalid.

After reports to Mrs. Thatcher from Mr. Michael Jopling, Government Chief Whip, on the

seething resentment among Tory backbenchers, the Prime Minister called a meeting of senior Cabinet colleagues at Downing Street where the decision was taken to change tactics. Full details of the Government's proposals will be disclosed to the Commons today in an emergency debate granted by Mr. George Thomas, the Speaker; but it is apparent that Ministers have been forced by backbench pressure to climb down.

In the Commons, when it was announced that sanctions would be retrospective, Labour MPs protested angrily that the Government was cheating, and had misled the House. Their claims were echoed by many Tory backbenchers, who were worried about the adverse impact on British companies trading with Iran.

It was under pressure from both sides of the House that the Speaker granted the emergency debate today. Sir Ian Gilmour was clearly unhappy about the need to impose sanctions, but insisted that their retrospective application had never been ruled out. What was important, he argued, was to do everything to help the U.S. secure release of the hostages, and keep in step with Britain's Common Market partners.

But despite his insistence that retrospective legislation had always been probable, it is understood that the Prime Minister opposed backdating when the issue was debated by a Cabinet committee before the enabling Bill was introduced.

Then came the decision in Naples of Common Market Foreign Ministers, which it was initially felt the Government had to follow.

The Department of Trade was unable to say last night how many contracts had been signed by UK companies with Iran since November, but the number was small. What creates the political heat, however, is the principle of retrospective legislation.

Trade with Iran is at present about £30m a month, and is increasing. Before the overthrow of the Shah it was £750m a year.

One of the Orders to be introduced by Thursday will be under the Iran (Temporary Powers) Act, approved last week, which imposes sanctions only on new contracts.

A second Order was to have been under the Import, Export and Customs (Defence) Act 1949, which would have permitted the retrospective ban.

Libya, Algeria raise oil price

BY RICHARD JOHNS, MIDDLE EAST EDITOR

LIBYA AND Algeria have raised their oil prices by \$2 and \$1 per barrel respectively, threatening to set off another general price rise by the other members of the Organisation of Petroleum Exporting Countries.

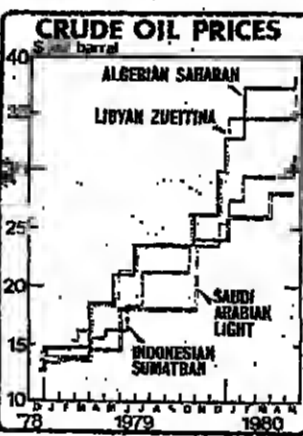
The latest move by Libya and Algeria, the leading militants within OPEC, followed last week's announcement by Saudi Arabia of a \$2 increase in the price of its light crude to \$28. This compares with new rates of \$36.73 for Libya's top quality oil and \$38.21 (including a \$3 "exploration premium") for Algeria's two premium grades.

If Nigeria comes into line with Algeria and Libya, as it probably will, then the British National Oil Corporation could be expected to follow suit as it did in February and April, raising the price of Forvie crude which is currently \$34.25 per barrel.

In terms of gravity, lack of sulphur and proximity to Western markets, the crude oil of the two North African producers is superior to Arabian Light. But yesterday industry observers felt that the two countries might have overpriced their oil.

Their decision seems to have been motivated partly by a wish to support Iranian demands for equally high prices. It appears to reduce the chances of a moderate compromise on a rational pricing structure at next month's OPEC conference in Algiers, which could give a general push to world inflationary pressures.

The price increase is also in line with the opposition of Libya, Algeria and Iran to proposals for future price increases to be based on a pre-determined formula that were made earlier this month by

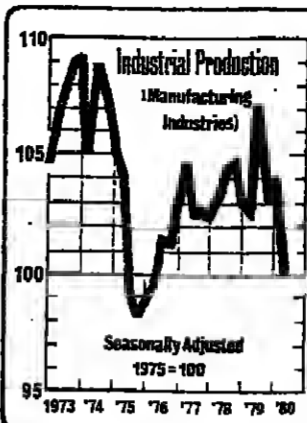


OPEC's ministerial committee on long-term strategy.

Attention will now be focused on Nigeria and Kuwait. Nigeria normally follows Libya and Algeria.

On the principle of the "most favoured seller", Kuwait always watches Iran and is recently understood to have been trying to obtain premiums of up to \$8 per barrel on the \$27.50 basic price of its crude.

Customers were informed on Sunday of the new Libyan and Algerian rates. Libya's is backdated to May 15 and Algeria's to May 16.



Output begins to fall

BY DAVID MARSH

TENTATIVE EVIDENCE of the start of the long-awaited recession has been provided by the latest official figures on industrial production. The underlying level of output dropped in the first quarter this year after remaining broadly unchanged for the previous two years. Manufacturing production fell to its lowest for more than four years.

The statistics were affected by the dispute in the engineering industry last autumn, and by the strike at British Steel in the first three months this year.

But Government statisticians say that, making allowances for these stoppages, there appears to have been an underlying fall in production to the non-energy sectors in the first quarter of between 0.5 and 1 per cent, compared with the generally flat levels of last year.

It is too early to say whether this fall is likely to continue. The coming months may see some "catching-up" of lost production in industries affected by the steel strike.

Economic forecasters expect a further decline in output this year, especially in manufacturing industry, in line with the Government's projection of a 2.5 per cent drop in gross domestic product.

Provisional figures from the Central Statistical Office yesterday show that industrial output in March dropped 1.3 per cent, seasonally adjusted, compared with February.

This took the all-industries index of output to 108.9 (1975=100). The average level of production in the first quarter fell 2.2 per cent compared with February.

Continued on Back Page

£ to New York	
	May 15
spot	83.3556 2850 \$2.2870-3900
1 month	1.24-1.16 dis 1.45-1.35 dis
3 months	3.40-3.38 dis 3.60-3.50 dis
12 months	7.05-7.05 dis 7.40-7.20 dis

Lex, Back Page

Jurek Martin looks at the resentments which had been building up before the weekend riots.

Tensions still high in Miami

THE discontent which erupted in Miami at the weekend into the worst outbreak of racial violence since the 1960s had been simmering for at least a year, but, as is so often the case, it went generally unnoticed.

The authorities were trying yesterday to restore peace to shattered Miami. The city was quieter but two days and nights of rioting have left 19 known dead, more than 200 injured and more than 400 arrested. Property damage is incalculable.

More than 3,500 troops and armed National Guardsmen were braced nervously for the onset of evening and hoped that the dusk-to-dawn curfew in the city's black neighbourhood would be observed.

Prominent American black leaders, including Mr. Andrew Young, the former United Nations Ambassador, and the Rev. Jesse Jackson from Chicago, were in the city in an attempt to cool inflamed passions.

City schools were closed and public transport in the black areas suspended.

All the fires that had burned overnight had been extinguished by mid-morning. The White House said President Carter had sent Mr. Benjamin Civiletti, the Attorney General, to Miami for a first-hand report.

The weekend's rioting had more than borne out the doleful prediction of a local judge earlier this year, who observed that a "racial time bomb was ticking away in the city, ready to explode at any moment."

The moment came on Saturday when, in nearby Tampa, an all-white jury acquitted four white Miami policemen charged with beating to death a black insurance salesman, Mr. Arthur McDuffie.

Many Miami blacks saw this as the last straw in a series of incidents, although Mr. Civiletti will examine the possibility of Federal indictments against the four policemen.

The litany is long. It includes the case of Nathaniel Lafleur, a black school teacher, mistakenly arrested and, he charged, assaulted by the police

on suspicion of being a cocaine dealer. That was in February last year.

In October, a black youth was shot and killed by an off-duty white police officer after the youth had been arrested on suspicion of burglary.

About the same time, a white highway patrolman was accused of sexually molesting an 11-year-old black girl. In all three cases, no action was taken against the officers involved.

But the most celebrated case concerned the corruption of the black schools superintendent of Miami, Dr. Johnny Jones, on charges of having used school Board funds for luxurious "plumbing fixtures" for his own personal use, plus the

ensuing resignations of several other prominent black civic officials.

Mr. Jones possessed a national reputation as an educator. He was also a member of the Miami civil establishment, a trustee of Miami University, on the Board of the local opera association, and any number of other civic activities—a man who moved easily within, and enjoyed the respect of, the city's white elite.

The Miami Times, a local newspaper widely circulated in the black community, seems to have been, in retrospect, pretty close to the mark in assessing its readers' view of the indictments against Mr. Jones when it wrote: "Once more we see the press's grin and the cameras roll as the media pushes another black male leader to the wall. Dr. Johnny Jones is, in the final analysis, a victim of his own blackness."

Dr. Jones was not the only senior black official to be faced with criminal charges. Mr. Neal Adams, a member of the County Commission, was accused last November of having illegally operated a

Continued on Back Page

HOLIDAYMAKERS 'SAFE'

Intasun, by far the largest UK package tour operator in Miami Beach, said yesterday that it had between 4,500 and 5,000 British holidaymakers there. The company has bookings for about 100,000 people this year so far and reported

no cancellations. Holiday-makers in Miami Beach—about 10 to 15 miles from Miami and separated from the trouble by a causeway—had been advised not to go into Miami but the beach area itself is regarded as safe.



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News Int'l shares suspended

BY REG VAUGHAN

DEALINGS IN shares of News International, the publishing group headed by Mr. Rupert Murdoch which includes the Sun and News of the World newspapers among its titles, were suspended on the London Stock Exchange yesterday.

No reason was given for the move, which was said to be "pending" further announcements. This is expected today. At the suspension price of 163p (a fall of 5p) News International's capital is valued at £65m.

Within the City, it was believed that the suspension could herald a bid from News Ltd., Mr. Murdoch's Australian newspaper group, which already has a 49.9 per cent stake in

News International. The remaining 50.1 per cent is spread around numerous private shareholders.

News Ltd. publishes the Australian, the Sydney Daily Mirror and the Adelaide News. It also owns television stations and an airline, and has substantial property interests.

Pre-tax profits of News International reported last month showed an increase from £24.9m to £27.9m for 1979. This was achieved despite industrial stoppages which cost 36m copies of the group's newspapers during the year.

The profit rise was also achieved after a reverse from a profit of £1.87m to a loss of £361,000 in the group's share of

profits of associates. This reflected the absorption of initial losses of newly acquired projects in the U.S. and a smaller share of the profits of LWT (Holdings) — the London Weekend Television franchise holder — after the sale of part of the group's stake in 1978.

News International sold the remaining 25.1 per cent "A" non-voting holding in LWT last March at a profit of £3.85m over book value. The company said at the time that the sale did not reflect any lack of confidence in LWT's ability to obtain the renewal of its franchise. News International retained its 11.7 per cent of the ordinary voting capital.

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German oil production to start in Baltic Sea

By Kevin Done in Frankfurt

WEST GERMANY is to make a modest start on offshore oil production with the development of a small field in the Baltic Sea to the north of Kiel. The republic has had little success in exploring offshore, either in the North Sea or the Baltic Sea, but Deutsche Texaco and Wintershall, a subsidiary of BASF, the chemicals group, has decided to go ahead with the development.

The field is small by North Sea standards and is thought to have recoverable reserves of 25m-30m barrels, similar to the Argyll Field. Development work is expected to begin next year. The field could have an output of around 400,000 tonnes a year (8,050 barrels a day).

The Republic cut oil consumption sharply in the first three months of this year, down 7.7 per cent to some \$1.1m tonnes of oil products.

West German crude oil and oil product imports have shown a slight rise in the first quarter, however, which has led to West Germany building up its oil stocks to a higher level than for many months. At the end of March they were standing at some 39.5m tonnes, a rise of 20 per cent over the same period 12 months ago.

Allies mute their anger at France

By ANTHONY ROBINSON

WESTERN leaders' reactions to yesterday's Brezhnev-Giscard meeting in Warsaw mixed barely disguised pique at Giscard's disregard for Western solidarity and the elementary rules of prior consultation, with formal praise for what the West Germans described as "a positive step in the right direction."

Herr Klaus Boelling, the West German Government spokesman, said: "We support this contribution to the restoration of a dialogue between East and West."

He added that the Franco-Soviet summit, taken together with the series of informal contacts made during President Tito's funeral and the Gromyko-Muskie talks in Vienna last week, had apparently ended

what he described as the "period of speechlessness" that followed the Soviet invasion of Afghanistan.

Bonn's public praise did not, however, detract from anger at the lack of consultation, which was echoed in Whitehall and elsewhere. The first confirmation of the meeting came late on Saturday night when M. Jean Francois-Poncet, the French Foreign Minister, mentioned it virtually as an aside to his fellow EEC Foreign Ministers in Naples.

Lord Carrington, the British Foreign Secretary, confirmed in the House of Lords that Britain had not been consulted and that Mrs. Thatcher first learnt of the meeting on her return from

Chequers on Sunday evening in a short message from the French President.

The French failure to inform its allies in advance was not due to any last minute decision to hold the meeting. In Warsaw officials said negotiations had been taking place for some time and were finalised eight days ago.

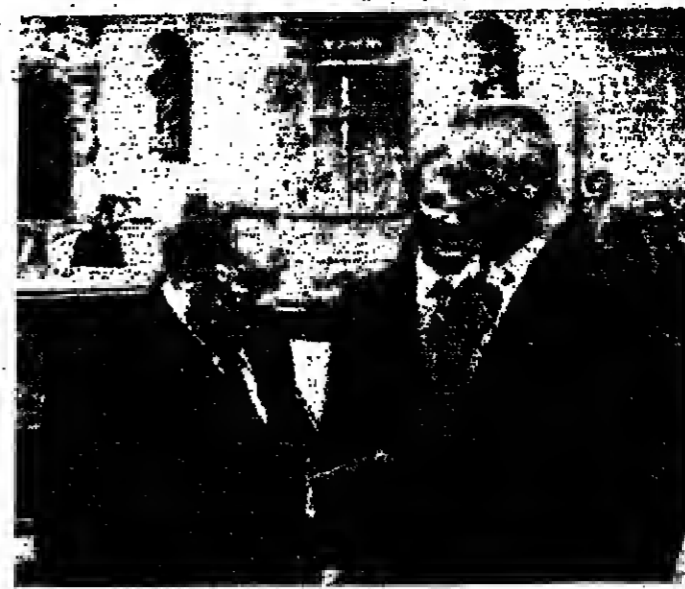
It took a lengthy telephone conversation on Sunday morning between Chancellor Helmut Schmidt and President Giscard to dissipate some of the wrath felt by the West Germans at this apparent breach in etiquette. It was still not enough, however, to satisfy the West Germans, who unofficially contrasted the blithe French

willingness to meet President Giscard with their own careful preparations to go to Moscow.

The West Germans have delayed their own decision and are seeking formal endorsement of such a meeting from their allies at the forthcoming Western economic summit in Venice next month.

The likelihood of such a German-Soviet meeting before the Moscow Olympics now seems rather remote, in view of the West German Olympic Committee's 59-40 vote against participation.

Here, again, the German position contrasts with the French, whose own Olympic Committee voted 22-0 in favour of participation last week.



Polish party leader Edward Gierk welcomes President Brezhnev.

OECD backs Turkish policies

By David White in Paris

THE ORGANISATION for Economic Co-operation and Development (OECD) has given the Turkish Government a confident vote of support to the new economic policies brought in at the beginning of this year, which it says represent a "courageous attack" on the country's problems.

The OECD, whose main members pledged last month to give Turkey a further \$1.1bn in aid this year, says that the impact of the new measures will be to increase inflation and probably unemployment. But prices should slow down as shortages disappear and exports should expand, leading to a revival of economic growth.

The report forecasts a current account deficit almost three times last year's at \$840m in 1980. This is based on an assumption that oil prices will not rise as far as last year's report on Turkey, published in July, it seems that things will be more before they get better.

The Government's programme, based on greater reliance on market forces, less State intervention, more foreign investment and foreign competition, will not work without continued international support, the OECD says.

More aid will be needed over the next few years to help with the serious imbalances that have built up in Turkey's payments. But growing exports and inflow of investments and foreign aid should enable Turkey to finance its deficit on a commercial basis after that.

Cutting inflation may be the Government's hardest task, the report warns, after the 80 per cent year-on-year rate reached at the end of 1979—the highest among the OECD's 24 member countries. But unless the Government succeeds in doing so, it will have difficulty in restoring either the balance of payments or sustainable growth.

The report favours the introduction of a wage policy, once prices have slowed down, but doubts if this would be as effective a weapon as generalised management.

AP adds from Washington: Turkey's efforts to develop hydropower in the Euphrates Basin river project will be assisted by a loan of \$120m from the World Bank. Italy will provide a further \$100m, the European Investment Bank has agreed in principle to provide \$110m and Abu Dhabi \$100m. The bank said, "Ups and downs of office."

Page 3

Terror attacks overshadow Italian election campaign

By RUPERT CORNWELL IN ROME

THE DRAB campaign for Italy's important regional elections early next month has been overshadowed in the past few days by terrorism in the country's centre and south.

Four terrorists, claiming to belong to the Red Brigades, yesterday shot dead Sig. Pino Amato, Christian Democrat economic councillor in the Campania region, in central Naples. The gunmen were captured soon afterwards, after a shoot-out with police.

The outrage, coupled with the Red Brigades' weekend wounding of a Christian Democrat party worker in Rome, is proof of a kind that recent police successes against the subversive group are mainly confined to the traditional terrorist battlegrounds of northern Italy, notably Milan and Turin.

The renewed violence is likely to become a fresh ingredient in an election campaign which has already

aroused questions and suspicions over the precise role of the secret services in combating terrorism.

Largely as a result of proven links with far-right terrorists 10 years ago, the services were reorganised.

But new doubts surfaced with last week's arrest of the deputy head of SISDE, the domestic counter-intelligence service, for passing to a journalist the top secret transcript of a confession by Sig. Patrizio Fedi, head of

the Red Brigades in Turin.

This happened after it became known that police had issued a warrant for the son of Christian Democrat leader Sig. Carlo Donat Cattin. The son is a suspected member of the Prima Linea (front line) terrorist group, believed to be linked to the Red Brigades.

The developments have obscured the purely political importance of the regional elections, in which almost 45m people can vote, thus rendering

them, in effect, a second round of last June's inconclusive general election.

In political terms, the most important question to be answered is whether the decline of the Communist Party—which dropped 4 per cent in 1979—is still continuing. This would open the way for the Christian Democrats to regain power in large cities like Turin, Naples and Rome, where it lost control at the last regional elections in 1975.

Rome asks athletes to miss games

By Our Rome Correspondent

THE ITALIAN Government yesterday joined the growing band of countries who have decided against taking part in this summer's Moscow Olympic Games.

The decision, which was hardly in doubt after West Germany's Olympic Committee agreed last week to follow its Government's recommendation to stay away, was taken at a cabinet meeting in Rome.

Sig. Emilio Colombo, Foreign Minister, said afterwards that only a "normalisation" of the situation in Afghanistan would persuade the Government to review its decision.

It remains to be seen whether the Italian Olympic Committee (CONI) will fall in with the Government's position.

If CONI resists official pressures, Italy would find itself in the same position as Britain, many of whose athletes plan to go to Moscow.

The Olympic issue has deeply split Italian politicians. The Christian Democrats and smaller centrist parties firmly favour a boycott, while the Communists and most of the Left have urged the Government not to follow blindly the instructions of Washington, and to endorse an official Italian team.

As usual in Italian Left-Right disputes, the demarcation line passes through the middle of the Socialist party. ● Austrian can compete in the Moscow Olympics, the country's Olympic Committee decided yesterday. The government had repeatedly said it had no intention of interfering in the athletes' affairs.

France to offer 13.25% interest on State bond

By TERRY DODSWORTH IN PARIS

THE FRENCH Treasury is to offer an interest rate of 13.25 per cent on the next long-term State bond which it has decided to issue early next month. The rate on the FFR 8bn (£836m) loan, which will have a term of 10 years, reflects the steady hardening of conditions in the French money markets since the last bond was floated in January at 12 per cent.

During the past three months, the cost of money has drifted steadily upwards in France, responding to the influence of the U.S. market, with day to day rates standing at 12.75 per cent and bank base rates at 13 per cent.

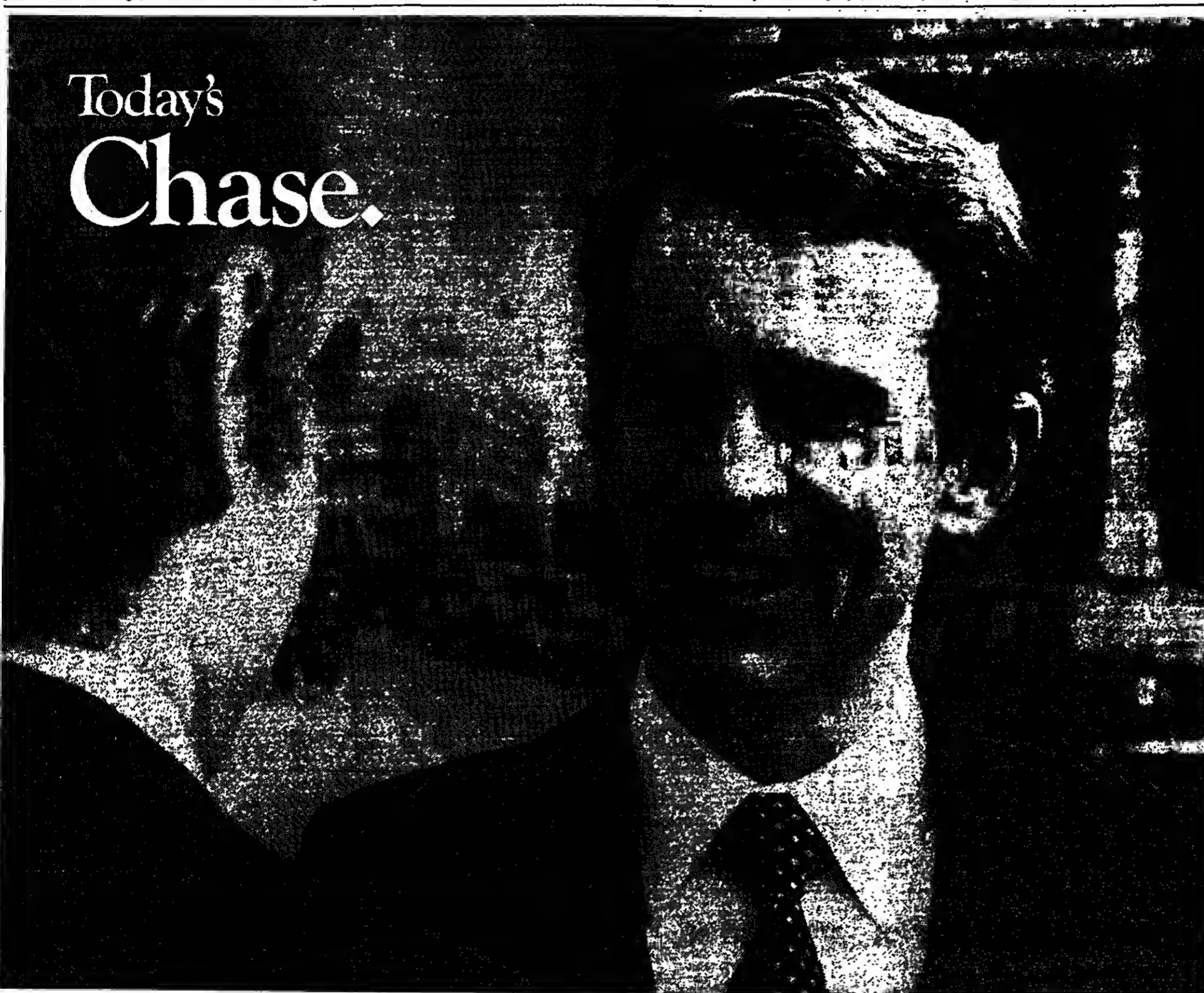
Bankers are not expecting any great problems in placing the new issue although the Government is going to the market

for a larger sum than it has been accustomed to raise in one slice recently. The rate is reckoned to be sufficient to attract purchasers who are looking for the additional security of a Government-backed bond at a time of increasing doubts about the economy in general.

At the same time, bankers are expecting a considerable amount of interest from the oil-producing Gulf States. Funds from this part of the world were a big factor behind the success of the last issue, which was raised from an initial target of FFR 8bn to FFR 12bn because of the rapid inflow of finance.

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Schmidt accused of campaign against U.S.

BY ROGER BOYES IN BERLIN

WEST GERMANY'S Chancellor, Herr Schmidt, was accused by Opposition Christian Democrats yesterday of pursuing dangerously anti-American policies and trying to carve a special role for Bonn outside the Western Alliance.

The accusation was made in a blistering speech by Dr. Helmut Kohl, CDU party chairman, at the start of the party's annual conference.

It marks a new, sharper tone in the run-up to the German general elections in October. Dr. Kohl said that the Chancellor "speaks of peace but sows hate".

Dr. Kohl's aggressive tone follows ODU defeats in the North Rhine Westphalia and other state elections over the past year.

These were blamed by Dr. Kohl and the party leadership yesterday on difficulties in mobilising CDU voters. The sharper campaigning is intended to sway these CDU sympathisers and persuade them to vote this autumn.

But substantial sections of the party still feel that recent election losses have been largely due to antipathy to Herr Franz Josef Strauss, Bavarian Minister and official Opposition challenger for the Chancellorcy.

This has caused speculation that Herr Strauss may be ousted by the party before the October elections.

Dr. Kohl, however, stressed that the party was sticking to Herr Strauss, and even linked his name to Dr. Konrad Adenauer, the first West German Chancellor much revered by the Christian Democrats.

Dr. Kohl said the Chancellor was being driven by Left-wing forces within the Social Democratic Party (SPD). They were increasingly pressing for the de-coupling of Germany from the Western Alliance.

The Christian Democratic chairman also accused Herr Schmidt of trying to soften the NATO decision on producing and deploying a new generation of theatre nuclear weapons in Europe.

The decision was announced simultaneously with an offer of arms controls talks with Moscow. But, according to Dr. Kohl, the Chancellor seemed to be giving priority to the talks rather than to deployment of the weaponry.

CDU criticism of Bonn's policy towards America was fuelled by a violent demonstration in West Berlin at the weekend, when scores of demonstrators occupied an American cultural centre and burned the American flag.

This gave Dr. Kohl the opportunity of stressing that the SPD seemed to be losing control of internal law and order. He also cited the riots in Bremen two weeks ago, in which over 250 policemen were injured.

Spain relaxes laws on foreign publishing

BY OUR MADRID CORRESPONDENT

LEGISLATION will shortly go before the Spanish Congress to liberalise the present prohibitions on foreign investment in publishing enterprises. The legislation, which was given the go-ahead at a Cabinet meeting last Friday, brings the publishing sector in line with the general law governing foreign investment in Spain and cancels out the restrictions included in a 1966 Press law.

Officials said, however, that the legislation would not include newspapers and magazines, which would remain subject to the Press law barring foreign capital participation. Restrictions would be lifted, however, on investment in serialised books and encyclo-

pedias sold in parts as magazines.

Foreign publishing groups, to gain a foothold in the Spanish magazine market, are forced by the Press law to lease licences or to use local companies as fronts.

The new legislation will allow foreign investment in book publishing freely up to 50 per cent, but will require Government authorisation for foreign majority shareholdings. The only exception under the 1966 Press law to the general prohibition of foreign capital in book publishing was Hispanic investment, where up to 25 per cent capital was allowed from Latin American countries and from the Philippines and Portugal.

DEMIREL RESHUFFLES HIS BUREAUCRACY

Ups and downs of office

BY METIN MUNIR IN ANKARA

THE SHORELINE boy at the Office of the Prime Minister was stoical about being sacked. "This is natural," he said. "Each Administration works with people it can get along with."

Incoming Turkish Government have for decades removed from position of authority civil servants whose loyalty or political allegiance they found suspect. In civil service parlance the practice is known as "drydocking"—kizaga otmak.

Senior officials—governors, under-secretaries, managers of state companies and the like—are the principal victims. But since the polarisation of Turkish political life in the mid-1970s, more and more junior officials are being rewarded or punished for their political loyalties.

It is, by law, virtually impossible to sack a senior official. The drydocked civil servant normally becomes an adviser, although he is given nothing to advise on, and any advice he was rash enough to give would almost certainly be brushed aside.

He continues to draw his pay, like his more active colleagues. But, if he shows up at the office only to collect his post and pay cheque, that is alright with his bosses. In any case, his office would probably just be a kizak (drydock)—a drab, rented flat, furnished with old desks and chairs and threadbare carpets, set aside for fallen officials. There would be nothing to do except read the newspaper, gossip, plot, lick his wounds. He will pass the time as best as he can, hoping for a quick change of government which would put him into an active job and his bosses into the bank.

Turkey now has 187 governors for its 97 provinces, 120 of whom sit around in Ankara drinking tea and waiting for new governments to shuffle them around, as Mr. Suleyman Demirel, the Prime Minister, did when he took power four months ago, recalling 49 of the existing governors and moving the rest. He has also moved 30,000 teachers. A typical case was of a teacher who was moved to Izmir, in the west, while her husband, a police officer, was moved 1,000 miles away to the eastern province of Kakkari.

Statistically, in Mr. Demirel's 27 months in office until June, 1977, he made 4,300 appointments among the first four grades of the civil service. Mr.



Mr. Ismail Hakki Aydinoglu: determined to fight

Bulent Ecevit, the former Prime Minister, in the year to January, 1979 made 3,700 appointments. These figures exclude professors, prosecutors and military and civilian judges.

One of the very few top civil servants to escape the axe is Mr. Ismail Hakki Aydinoglu, governor of the Central Bank. This is not because Mr. Demirel wants to keep Mr. Aydinoglu, but because the law governing the Central Bank makes it difficult to sack governors. They have a five-year contract, which can be cancelled only in the event of serious illness or misbehaviour. Neither, apparently, applies in Mr. Aydinoglu's case. He also has a good record as governor.

None the less, Mr. Demirel appears determined to sack him. Mr. Demirel is believed to have two reasons. First, the governor is an Ecevit appointee, which makes his loyalty to the present Government automatically suspect for Mr. Demirel. Second, Mr. Demirel wants a governor whom he can control completely. He needs a man who will channel Central Bank credits to private banks in the direction the Government indicates, without asking questions.

Money, always a tight commodity, has become tighter, with limits imposed on state finances by the International Monetary Fund, with which Turkey has a stand-by arrangement. Central Bank credits could consequently be crucial for the commercial success of private banks, as

French business still optimistic

By David White in Paris

FRENCH BUSINESS leaders are relatively optimistic about their short-term prospects, at a time when consumers are beginning to feel the pinch and the rise in unemployment is likely to continue.

These apparently paradoxical conclusions can be drawn from two reports, published by the Government's statistics body INSEE and by the Patronat employers' federation. INSEE's forecast of deteriorating unemployment was backed up by the latest jobs statistics, which show a 1.7 per cent rise in the seasonally adjusted figure for April—the seventh successive monthly increase—to a record 1,438,900.

The two reports differ on the outlook for industrial production, which INSEE sees falling off slightly during the year but which the Patronat believes, despite some April results, will be sustained at least until the summer holidays.

But despite its less positive forecasts, INSEE says companies are reaping the benefits of reorganisation measures in better productivity and profits and are envisaging important new investments in a number of sectors.

This new investment cycle, which started in mid-1973, is expected to be the main motor of economic growth this year. The outlook for the capital goods industry has improved considerably.

But a drop in export orders is likely to hit the output of intermediary goods, the report says, and household purchases except cars have suffered a sharp setback. French families, having bought early to beat inflation, are now expected to start rebuilding their savings.

INSEE sees the slowdown in activity leading to a drop in imports towards the end of the year. This should be the beginning of a gradual recovery in the country's balance of payments, which is expected to show a deficit of FF 15bn (£1,600m) in the first nine months of this year. Export growth is likely to be more moderate than last year, with a drop in demand from industrialised countries and stagnating consumer goods sales, partly compensated for by big capital goods contracts.

Retail prices, according to INSEE, are expected to increase in the first half and by 5 per cent in the second half.

Why the South Korean Army took control

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

SIX MONTHS after the assassination of the authoritarian President Park Chung-hee, South Korea once again came under tight military control last Saturday. The Armed Forces, acting through the Martial Law Command established after President Park's death, banned political activity throughout the country. They also arrested several dozen leading politicians and academics, including two prospective candidates for the presidential elections, due early next year.

The Army moved after two days of demonstrations when tens of thousands of students took to the streets demanding a speeded-up timetable for "democratisation." Why did the Army act to drastically deal with what was, basically, a fairly manageable problem?

The official explanation is that the student demonstrations threatened South Korea's security. Gen. Chun Doo-hwan, the head of Military Security (and of the civilian Central Intelligence Agency), unquestionably the most powerful man in Korea, believes the political ferment provided North Korea with a tailor-made opportunity to intervene in the South's affairs.

He also seems to have had an interest in using the demonstrations to settle personal scores. Those arrested over the weekend included some right-wing politicians—such as Mr. Kim Jong-pil, the leader of the pro-government Democratic Republican Party—who happen to have been on not very good terms with Gen. Chun and his fellow officers.

A martial Law Command decree banning criticism of present and past government leaders also indicates that Gen. Chun may be interested in using the crisis to suppress the present denigration campaign against the late President Park. Gen. Chun was President Park's godson, and is known to have been outraged by the wave of anti-Park sentiment after the assassination.

Those who believe Gen. Chun may be more interested in protecting President Park's memory than in any security threat from North Korea point out that the chances of a conventional military attack by the North are very slight, given the deterrent effect of the U.S. military presence in Korea. However, there have been reports of stepped-up infiltration by northern agents during the past few days. What may be even more serious is the impact of South Korean political disorder in North Korean leaders' attitudes.

Until late last year there were signs that the Pyongyang



President Choi Kyu-hah: Reform according to schedule

leadership was beginning to feel that time might be on South Korea's side in the struggle for reunification.

Now the North can claim to detect "contradictions" in South Korean society of a kind which Communist theoreticians have always believed would emerge. This is likely to make the North adopt a tougher line in North-South negotiations.

The Army crackdown has deferred hopes of early "democratisation," but they are not quite dead—if one is to believe Mr. Choi Kyu-hah, South Korea's caretaker civilian president. On the morning after the armed forces moved, he said constitutional reform would be carried out according to schedule. This should lead to a new constitution providing for direct presidential elections being introduced by the end of this year, with the elections early in 1981.

The catch could be that most leading presidential candidates will be under lock and key when the vote is held. Two of the three men regarded until last week as front runners for

the presidency were arrested on Saturday. The third, Mr. Kim Young-Sam, President of the opposition New Democratic Party, is hardly likely to have improved his image with the electorate by being the only one the generals spared.

If democracy is really not going to materialise for the time being, it becomes important to ask just how ready South Koreans are to put up with another spell of authoritarianism. The short answer is that Korea is a young nation with an increasingly articulate and literate population and, as such, is unlikely to stay patient long.

Sooner or later, the demand for full democratic freedoms is likely to become irresistible, no matter how hard the Army tries to keep control; but progress towards democracy may well not be in a straight line. Mr. Saburo Okita, Japan's Foreign Minister, probably summed it up correctly when he told the Japanese Diet (Parliament) last week (on the day before the military crackdown) that Korea would pursue a "zig-zag" path towards democracy.

China and Russia struggle for power in South Pacific

BY PHILIP BOWRING IN HONG KONG

THE TUSSELE for power in the Southern Pacific between China and the Soviet Union was highlighted last week, when Mr. Li Xian-nian, a Chinese Vice-Premier, visited Oceania.

Mr. Li's visits to Australia and New Zealand were predictable enough, with plenty of talk of trade and easy agreement with Mr. Robert Muldoon and Mr. Malcolm Fraser, the New Zealand and Australian Prime Ministers, on Soviet inquiries. But Mr. Li also went to Papua New Guinea, and was rewarded by the Papua New Guinea Government, approving a

Chinese embassy in Port Moresby.

Hitherto, China, like the Soviet Union, had been denied a physical diplomatic presence, covering the nation from Canberra. But the triumph was partly spoiled by China's intercontinental ballistic missile test in the South Pacific on Sunday, a reminder that this peaceful region still bears the scars of World War II battles, and is used by France for testing atom bombs and by the Soviet Union for missile tests.

China's victory in Port Moresby was small but significant. Peking already has missions in Suva, Fiji and Apia,

Western Samoa. The Russians have none, although their presence is real. Russian fishing boats and research vessels are frequent sights in Suva and other South Pacific harbours.

The South Pacific is significant for three main reasons:

- It commands the sea links between Japan, Korea, the U.S. and their Australian sources of raw materials.
- The small island States have potentially large resources and theoretical power over a huge part of the South Pacific, now that the principle of 200-mile economic zones has been accepted. The most immediate

immediately attractive item is fish, mostly tuna. But there is also the lure of deep-sea mining.

● The economic weakness of many South Pacific nations could make them vulnerable to the big power. Although some, like Papua New Guinea and the soon-to-be independent New Hebrides have plenty of land to absorb population increases, others, such as Tuvalu and Kiribati, have no resources and rapidly increasing populations. They live on contributions from Australia, New Zealand, the U.S., Britain and France.

The U.S. has a presence in American Samoa and the

Marshall and Caroline Islands between Hawaii and Guam.

The Marshalls and Carolines are now moving to semi-independence. The U.S. will continue to have a "right of denial" in respect of their arrangements with other nations. In return, the islands will receive aid.

Take Ponape, an island of 20,000 people in the eastern Carolines. In the past 100 years it has been variously ruled by Spain, Germany, Japan and the U.S. Now it is the capital of the almost independent "Federated States of Micronesia." Who's next?

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OVERSEAS NEWS

Quentin Peel, recently in Lilongwe, assesses Malawi's fears for its economic future

Zimbabwe peace a mixed blessing for Banda

THE ZIMBABWE settlement could be a very mixed blessing for Malawi, long the odd one out, politically and economically, among the black states of Southern Africa. The Malawi economy is facing its most difficult period since independence 16 years ago, and the return of a major economic force to the regional market is regarded with considerable caution, by both the Government and businessmen.

Hitherto, the stubborn independence of Dr. Hastings Kamuzu Banda, Malawi's President, has brought his country more benefits than disadvantages, at least economically. As a result of his refusal to impose sanctions against Rhodesia, and the full diplomatic relations he maintained with South Africa, Malawi was one of the few countries to benefit from the sanctions era. Malawi's economic growth rate since independence has also far exceeded those of its immediate neighbours.

Relations with Zimbabwe have been close ever since Malawi belonged to the Central African Federation, although it was very much a junior partner, and little more than a labour pool for the mines and industries of Northern and Southern Rhodesia. Up to 1976, when Mozambique closed the border, Zimbabwe was Malawi's third most important source of imports, and a major destination for exports.

The most important benefit of the sanctions years for Malawi was the rapid expansion of its tobacco industry to replace Zimbabwe producers in such



Dr. Banda: more benefits than disadvantages.

traditional markets as Britain and the U.S. At the same time, difficulties in obtaining imports from Zimbabwe provided an added incentive and protection for the creation of import-replacing industries in Malawi. Malawi did not suffer like Zambia and Mozambique from the effects of the guerrilla war—the influx of refugees and bombing raids—but the dislocation of its transport routes has been a major and growing problem. When Zimbabwe's borders were closed, Malawi was left totally dependent on its rail routes to the Mozambique ports of Beira and Nacala. Apart from air freight, only the road route through Botswana and Zambia, via the Kazungula ferry, sunk by Salisbury's security forces last year, provided a modest alternative to the increasingly inefficient and

disaster-prone services of Mozambique Railways. Malawi's transport problems have aggravated the economic crisis which has been gathering over the past two years. Stagnating prices for its main exports, tobacco and tea, and soaring prices for imports, especially fuel, have resulted in a rapidly worsening deficit on the current account of the balance of payments, from Kwacha 33.6m (£18.3m) in 1977, a year of record crops and prices, to K164.6m (£89.5m) last year.

Imports have been hit hardest: average delivery times from Nacala to Blantyre are more than 60 days, compared with only 13 for the return journey. Both ports are desperately short of handling equipment, and the rail lines have not been maintained. Derailments are frequent.

The settlement will open two new overland routes from Malawi: by rail from Umtali, in Rhodesia, to Dondwa via Beira, and north to Malawi, and by road from Salisbury to Blantyre via Tete, in Mozambique. Also, for many important imports, such as coal, iron and steel, construction materials and processed foods, Malawi can look to Zimbabwe producers rather than South African, and consequently cheaper prices and lower freight rates.

A reduction in import costs could contribute greatly to a reduction in Malawi's inflation, and could improve the balance of payments. The road route, on which the first trial runs have now been made, used to carry some 500 tons of freight a week.

Re-opening direct transport routes should also boost Malawi's exports to Zimbabwe, in particular rice and textiles, by reducing the freight cost of their price. Zimbabwe is Malawi's biggest customer for rice, and has been throughout sanctions, but it has had to be shipped via Durban.

There are also obvious disadvantages. Malawi will no longer be the principal user of Beira: Malawi traffic will have to compete with goods from Zimbabwe, Zambia and even Zaire. Yet Beira port is already hopelessly congested, although it is only functioning at some 40 per cent of its former capacity. Malawi's prestige new international airport at Lilongwe, due for completion next year at a cost of some

RS0m (£42.5m), could also be hit. It was planned as a regional centre for air traffic, yet that position is now much more likely to go to the Zimbabwe capital.

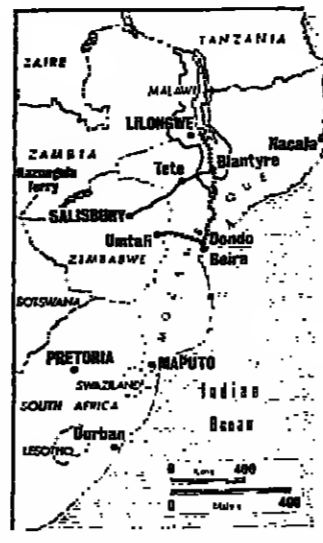
Malawi's tobacco producers are still uncertain about their future. The sudden return of Zimbabwe growers to the open market, with a stockpile estimated at more than 100m kilos, about a full year's production, has helped to depress tobacco prices this year.

The Malawi Government is now talking about the urgent need to diversify into other crops than tobacco—particularly cotton and groundnuts—but such a process clearly takes time. So, in the short term, real economic stringency seems inevitable, aggravated by a drought in the southern province which has cut the maize crop by a third.

The other complicating factor is Malawi's political stance. Ideological differences have so far prevented Malawi and Mozambique from having full diplomatic relations, and Mr. Robert Mugabe's new Government in Zimbabwe is clearly most sympathetic to Mozambique.

Malawi officials are confident they will have good relations with Mr. Mugabe's Government. But they also know they need to improve relations with Maputo.

The transport problems in Mozambique have brought home Malawi's dependence on its neighbour. Indeed, as one shipping agent put it: "The best aid anyone could give Malawi now, would be aid to Mozambique Railways."



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AMERICAN NEWS

Landslide for Belaunde

in Peruvian elections

BY DOREEN GILLESPIE IN LIMA

SR. FERNANDO BELAUNDE, who was ousted as President of Peru by the armed forces in October 1968, has been re-elected by a landslide, with 43.6 per cent of the vote.

This puts him directly into the presidential seat, despite predictions that Peru's first general elections in 17 years would have to be decided by Congress.

Although early results have yet to be confirmed by the official recount, there can be no doubt that Sr. Belaunde has received well over the 36 per cent of the valid votes required for the presidency.

Sr. Belaunde, 67, leader of the moderate Popular Action Party, defeated the Left of centre APRA party, led by Sr. Armando Villanueva, and 13 other candidates ranging from the radical Left to the Right.

The APRA is claiming that there have been some irregularities in the voting. Sr. Villanueva appeared on television to call for calm, however, and offered to talk to the other parties when thousands of APRA members crowded outside their party headquarters.



Sr. Fernando Belaunde Terry Comeback after 12 years.

claiming election fraud.

About 6.5m Peruvians were also choosing two Vice-Presidents, 60 Senators, and 100 Representatives in the election. Sr. Belaunde, an architect

and a university professor, was elected President in 1963, and served until he was ousted by a military coup in 1968. Then, he had been escorted out of the Presidential Palace by a group of army officers, and put on a plane for Argentina.

Yesterday, Sr. Belaunde said he did not think of his success as a "slap in the face for the military."

But observers see it as a reflection of widespread hostility to the armed forces, who have presided over one of Peru's worst economic crises.

Despite Sr. Villanueva's call for calm, some supporters of APRA took to the streets of Lima and police with armoured vehicles dispersed hundreds of angry demonstrators who tried to put up barricades.

Computer predictions gave Sr. Belaunde more than 45 per cent of the vote in 12 Departments and forecast he would come in second in Libertad and Ancash, traditional bastions of the APRA Party, where Sr. Villanueva was projected to win slightly more than 26 per cent of the vote.

Close result expected as Quebec holds referendum

BY W. L. LUETKENS IN MONTREAL

THE OUTCOME of today's vote in Quebec on the French-speaking province's future relationship with Canada is expected to be close.

The provincial government of Mr. René Lévesque is asking the electorate of 4.3m in a referendum to give it authority to negotiate sovereignty, on condition that at the same time a monetary and economic union can be agreed with the rest of Canada.

After a succession of opinion polls showing voters turning away from Mr. Lévesque's proposal, the last poll, a comprehensive one, published yesterday by the chairman of the ruling military commission, Mr. Paul Mwangi.

The initial response of many diplomats and observers is that the Government will be hard-pressed to organise polls within this time. The country suffers from a broken-down transport system and lacks other basic services. The last elections were held in 1962.

Mr. Lévesque's opponents, led by Mr. Claude Ryan, the Quebec Liberal leader, and French despite his name, will be hard put to it to achieve a "No" vote among the four out of five Quebecers who speak French.

"Yes" from them, even if the referendum were to be lost, would be a moral victory for him and his Parti Québécois.

In an interview published yesterday he declared that, if the referendum were to be lost only because of the non-French vote, opinion could become "radicalised."

Mr. Lévesque added that, if he won, he would be ready to negotiate with Ottawa by September. The political leaders

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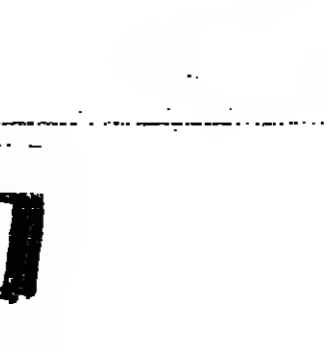
Since the early 1970s, several thousand Haitians have washed up on the Florida shores, but only some 250 have been granted asylum.

Senator Kennedy has this month taken up their cause in his Senate Refugee Subcommittee.

The problem is that the Administration does not regard Haitians as qualifying for refugee status, as someone who has already suffered persecution or who has a "well-founded fear" of suffering if repatriated.

The evidence of persecution in Haiti is mixed, says the State Department. Most Haitians are simply escaping appalling economic circumstances, and if they were now admitted wholesale, the argument goes, most of the Third World would be on the next U.S.-bound aircraft or ship.

Survivor of a Cuban refugee boat that sank on its way to Miami is helped from a helicopter by a U.S. Marine.



More power for Egypt's Governors

By Roger Matthews in Cairo

PRESIDENT ANWAR SADAT spelled out in more detail yesterday the administrative revolution he is planning whereby the central Government is to give up many of its functions to provincial governors.

In a speech to the first meeting of the restructured Egyptian cabinet, Mr. Sadat stressed that the Government would be responsible mainly for planning and follow-up. The main executive powers would be exercised by the 26 provincial governors.

Armed with presidential powers and carrying the rank of minister, the governors would be able to take a wide range of decisions without reference to Cairo. Under the umbrella of the national plan they would be responsible for food supplies, industry, education, universities and agricultural development.

There was no indication that a large transfer of civil servants was planned from Cairo to cope with the greatly increased workload. Ministers have stated in the past that the governors have neither the experience nor the ability to take on what has been the function of central Government.

The best explanation for Mr. Sadat's action may be found in his concern over challenges to his authority. Close aides have stressed that opposition elements in the bureaucracy have been purposely sabotaging Government efforts. By removing much of the power from the Cairo bureaucracy Mr. Sadat hopes to circumvent this.

Hisu Hijazi reports from Beirut: A two-day state visit to Iraq by King Hussein of Jordan appears to have consolidated a new relationship of co-operation between the two states and to have deepened Syrian suspicion of Amman.

The King who returned home on Sunday, has sent his Information Minister, Mr. Saeed al-Tal, to Damascus after charges that anti-Government members of the Syrian Muslim Brotherhood were receiving military training in camps in Jordan.

Japan renews talks on Iran oil

BY ANDREW WHITLEY IN TEHRAN

JAPANESE oil companies have resumed negotiations with Iran for the purchase of over 500,000 barrels of crude a day, following the suspension of sales to Tokyo last month.

There was optimism in Iran's state oil company yesterday that the dozen Japanese companies involved would be compelled to accept the basic minimum price demanded by Iran of \$35 a barrel. Other provisions previously sought by Iran could raise the effective selling rate to \$37-\$38 per barrel, according to reports from the oil industry.

These were the stumbling blocks over which talks broke down.

Indications are that the Japanese companies, divided into two groups, are concerned primarily with finding a pricing formula which would help defeat U.S. accusations of backsliding over sanctions.

Meanwhile, Iran has begun the process of cancelling oil revenue banding agreements with its traditional European and Japanese bankers.

The main banks which will be the main source for the opening and confirming of letters of credit for oil purchases are the Union de Banque Suisse, Société de Banque Suisse, the Bahrain branch of the State Bank of

India, Scandinavianiska Enskilda Banken in Stockholm, and Bank für Arbeit und Wirtschaft AG of Vienna.

The choice of these banks was dictated by Iran's fears that sanctions arising out of the U.S. hostage issue would eventually lead to further controls on its foreign assets by Washington's allies.

Iran says it has been exporting an average of 100,000 b/d of crude oil on the spot market since April and hopes to sell more. Total exports are officially claimed to be nearly 1m b/d, although analysts have only been able to identify 611,500 b/d in term contracts

down.

Iran and Iraq appeared to come closer yesterday to a formal breach of diplomatic relations when the two states sharply attacked each other before the full gathering of Islamic Foreign Ministers in Islamabad.

The initial attack came from Mr. Sadeq Qotbzadeh, the Iranian Foreign Minister, who said Iraq had embarked on a "treacherous policy of animosity" against Iran as soon as Ayatollah Khomeini had come to power. He accused Iraq of supporting subversion in Kurdistan, of the expulsion to Iran of some 35,000 people and of other atrocities.

Mr. Qotbzadeh was heard in alliance but immediately came in for a sharp rebuke from Mr. Hamid Alwan, Iraq's Minister of State for Foreign Affairs. Such irresponsible behaviour, he said, coincided with the chaos and disturbances in Iran where there was no state and no responsible Government.

There were signs yesterday that Mr. Qotbzadeh's self-

Iran and Iraq exchange insults at Islamic talks

BY DAVID HOUSEGO IN ISLAMABAD

consciously high profile at the conference was causing a mixture of irritation and apprehension among other Moslem states particularly in the Gulf region.

At a Press conference he dismissed almost out of hand a Bangladesh proposal that a committee of Moslem states be established to try to mediate in the U.S. hostage crisis. Most participating nations are anxious to see a rapid solution to the issue.

In his speech Mr. Qotbzadeh attacked in almost equal measure the U.S. and the Soviet Union. He claimed the abortive U.S. rescue mission was "part of a master plan to destroy the new Iranian Republic."

He warned the Soviet Union in a clear reference to both Afghanistan and Iran that if it wanted a friendly state on its southern flank "aggression is not the way to achieve it."

Mr. Qotbzadeh took full and personal responsibility for admitting to the conference as members of the Iranian delegation leaders of the Afghan insurgent groups. "That was the least we could do," he said.

more demoralised by the sight of well-dressed cousins who made good on the "golden streets of Miami."

In the same corner is Mr. Zbigniew Brzezinski, the Polish emigre who counsels the President on national security and who sees in each Cuban refugee a slap in the face for the Kremlin, President Castro's protector.

But, against an unrestricted flow of Cubans are the many federal and local officials who have to face the administrative nightmare of processing so many people without proper papers and the prospect—perhaps realised in the weekend riot in Miami—of a backlash against refugees competing for scarce jobs as the recession grows.

The U.S. Coast Guard is now out in force, stopping private boats making for Cuba, seizing boats returning with refugees and fining (or threatening to) ship's captains at the rate of \$4,000 for each illegal alien. Those eligible for refugee status have been narrowed down to those

with relatives in the U.S., former political prisoners, and Cubans who took asylum in the Peruvian embassy and U.S. interest section in the Swiss embassy in Havana.

The Cuban influx could not have happened at a worse time for the Administration. It was already preparing to admit around 230,000 refugees in the year ending on September 30. No one knows how many Cubans are on their way north, but the Administration is budgeting to spend a total of \$1.6bn this fiscal year and \$2bn in 1980-81 for its national refugee programme.

The 1980 Refugee Act, which came into force last week, seeks to do two things. First, to admit refugees regularly, with Congressional agreement, instead of ad hoc through the executive power of the Attorney-General. Second, it abolishes the bias in law towards refugees from Communist countries and the Middle East. Responding to pressure from the U.S. black community, it allows more scope for refugees from Africa.

Ugandans promised early poll

By Michael Holman

UGANDA'S Foreign Minister, Mr. Otema Allimadi, yesterday promised free and fair elections by the end of the year, a commitment ahead of voters yesterday by the chairman of the ruling military commission, Mr. Paul Mwangi.

The initial response of many diplomats and observers is that the Government will be hard-pressed to organise polls within this time. The country suffers from a broken-down transport system and lacks other basic services. The last elections were held in 1962.

Mr. Lévesque's opponents, led by Mr. Claude Ryan, the Quebec Liberal leader, and French despite his name, will be hard put to it to achieve a "No" vote among the four out of five Quebecers who speak French.

"Yes" from them, even if the referendum were to be lost, would be a moral victory for him and his Parti Québécois.

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David Buchan, in Washington, reports on President Carter's predicament as thousands of eager, would-be exiles eye U.S. shores

The flow of refugees becomes a flood

IN A SORT of reverse Bay of Pigs operation, several "divisions" of Cuban refugees—nearly 60,000 in the past month—have "invaded" southern Florida, creating enormous political and administrative headaches for the U.S. Administration.

What should have been an unqualified propaganda blow for Cuba's standing around the world has been turned by President Fidel Castro into a painful dilemma for President Jimmy Carter. The hapless Mr. Carter is being attacked now at home from the Right by Mr. Ronald Reagan, for not letting more Cubans in, and from the Left by Senator Edward Kennedy, for giving Cubans special treatment over refugees from elsewhere. All this has left Mr. Carter's refugee policy in tatters, just when a law passed this spring was supposed to give it coherence.

To wrest the initiative away from the Cuban President, Mr. Carter last week complied his clampdown on freelance refugees—ferrying by Florida

Cuban-Americans with an offer to Havana to set up an organised government—to government refugees air or sea lift (as has been agreed several times in the past).

Several overloaded or unseaworthy craft have sunk on the 100-mile trip between Mariel in Cuba and the Florida keys. But, so far, Mr. Carter has had no official answer from Havana—and if no official channel is set up, the refugee flow will dry up completely, and the U.S. President will be partly blamed for that.

The bewildering sequence of events in which President Castro has virtually managed to turn the tables on Mr. Carter began early in April, when some 10,000 Cubans flocked into Peru's embassy in Havana to claim asylum. By mid-April, an orderly settlement was in prospect, with the refugees being flown to Costa Rica and resettled there.

But President Castro, resorting to the trusty formula of confrontation with the U.S. as a distraction from domestic dis-

content, abruptly cancelled the Costa Rica rights on April 18, and said refugees or *gusanos* (worms) could leave only directly for their final destination. For most Cubans, that meant the U.S. To join their 800,000 relatives or compatriots already there. But instead of organising an orderly departure, President Castro simply issued a "come and get'em" call to the Cuban-American community across the Florida Straits. That was music to Cuban exile ears, and they put to sea in any old shrimp boat they could hire.

Mr. Carter has had to contend with strong and opposing pressures. On one side stands the Cuban-American community, which understandably wants to get its estimated 200,000-300,000 remaining relatives out of Cuba. Regular refugee flights from Cuba stopped in 1973, although some political prisoners have been allowed out since. For the past two years, Cuban exiles have been permitted back into Cuba to visit relatives, who seem to have been only the

France and Mexico plan co-operation pact

BY ROBERT MAUTHNER IN PARIS

FRANCE and Mexico will open negotiations next month on a wide-ranging economic co-operation agreement. It will provide for an increase in Mexico's exports to France of manufactures and semi-finished goods, French investment projects in Mexico and technological co-operation.

Through a joint communiqué published at the end of a three-day official visit to France by President Lopez Portillo of Mexico made no mention of an increase in Mexico's oil exports to France. It is generally assumed that this will be part of any long-term agreement signed between the two countries.

Under a 10-year agreement signed by Compagnie Française des Pétroles (Total group) last year with Pemex, the Mexican state-controlled oil group, Mexico will supply France with 5m tonnes of crude per year. According to some Mexican officials, these quantities could eventually be doubled.

To facilitate the implementation of the economic co-operation agreement, two French nationalised banks, BNP and Société Générale, have decided to grant Mexico credits worth FF300m (£31m) as part of the FF1.1bn line of credit opened by France during the visit to Mexico of President Giscard d'Estaing in March 1979. So far, only FF270m of this credit line has been used.

S. AFRICA'S OIL INDUSTRY

Export pressure on crude refineries

BY JOHN STEWART IN CAPE TOWN

HAVING ESTABLISHED a firm lead in the international drive to reduce reliance on liquid fuels derived from crude oil, South Africa will clearly also be the first country to face awkward policy decisions on the commercial future of its major crude oil refineries.

The three national refineries, located at Durban and Cape Town, are currently operating at not much more than 45 per cent of capacity due to a combination of high pump prices and stringent conservation measures. They will have to come to terms with further erosion of demand as increasing volumes of coal-based synthetic fuels become available from the country's three oil-and-coal facilities, controlled by Sasol, the state oil utility.

According to official statements, synthetic fuels from Sasol will satisfy about 47 per cent of the country's demand for high grade oil products, based on 1978 levels of consumption. These calculations do not take into account the impact of private sector plans to invest large sums in alternative fuel plants producing methanol and ethanol.

Enactment of the State Oil Fund Amendment Bill, which has just been taken through all its stages in the South African Parliament, is the first indication that the Pretoria Government is trying to come to grips with the problem of reduced refinery throughputs.

The state oil fund is a revenue pool managed by the Government and comprises various levies imposed on the consumption of high grade oil products. At present the levies amount to 17 cents (SA) per litre, of which the lion's share is deposited in a price equalisation account.

The aim of the account is to absorb fluctuations in offshore prices of crude oil, most of which is acquired on international spot markets.

The State Oil Fund Amendment Bill has two principal features. The first provides for differentiated levies on various oil products.

For example, the Government intends to reduce the levy on aviation kerosene and illuminating paraffin. The levy on jet fuel has had an adverse effect on the operating economics of international airlines serving South Africa. This resulted in one company suspending its service to Johannesburg. Similarly, lowering of the levy on illuminating paraffin is intended to bring relief to low-income households for whom paraffin is the main source of heat and light.

The second section of the bill provides for full rebate of state oil fund levies on petroleum products intended for export and is clearly intended to encourage the coastal refineries to export their way out of trouble.

South African refinery operators indicate, however, that there are clearly defined limits to their ability to do so. Although they have disposed of small parcels of petrol on international spot markets on numerous occasions in the past six years of the Government's tough conservation regime, international oil majors operating in South Africa say that high premiums riding on the price of imported crude are a constraint on the development of a regular export trade.

An obvious immediate candidate for the oil majors' surplus

Australia in Canada 'phone link

CANBERRA — The Australian Government yesterday announced a US\$385m telecommunications project which will link Australia, Norfolk Island in the South Pacific, Fiji, Hawaii and Canada by undersea cable.

Mr. Tony Staley, the Post and Telecommunications Minister, said the cable would carry more than 1,000 telephone circuits. It was designed to handle the rapidly expanding telecommunications traffic between the Pacific basin, Asia and Europe.

The cable system, to be called Anzean, an acronym for Australia, New Zealand and Canada, will be in operation in 1983-84, he said.

Australia's international communications agency, Overseas Telecommunications Commission, would be the largest shareholder, with an investment of US\$220m.

Other international telecommunications organisations participating in the project are Teleglobe Canada, British Post Office, Fiji International Telecommunications, Deutsche Bundespost (West Germany), Secretariat d'Etat aux Postes et Télécommunications of the Government of France, New Zealand Post Office, Philippine Long Distance Telephone Company, and the Papua-New Guinea Department of Public Utilities. AF

Kloeckner wins Nigerian contract

BY OUR FRANKFURT CORRESPONDENT

NIGERIA has awarded a DM 150m (£36.45m) contract for the construction of a short glass works to two West German plant building companies.

The plant will be built by the engineering subsidiaries of the Kloeckner and Kloeckner-Humboldt-Doutz groups, KHD Engineering has also undertaken the training of the Nigerian workforce. The West German companies will provide a temporary management team for the glass works, until the Nigerian staff is fully trained.

The plant, which will have a capacity for producing some 40,000 tonnes of glass a year, should be completed in about two and a half years. It will be located close to Okitipupa, about 400 kms to the east of Lagos, in order to exploit local deposits of quartz sand.

Reuter adds from Lusaka: Mitsubishi and Nchanga Consolidated Copper Mines (NCCM) have concluded a deal to be signed here soon for a kwacha 35m (£20m) sulphuric acid plant at Kitwe in Zambia's

copperbelt. The plant will have an annual capacity of 100,000 tons of acid.

Mitsubishi will provide kwacha 23.5m (£12.5m) in the form of an eight-year loan at 7.5 per cent interest with payments to begin after completion of the project. NCCM will provide the remainder.

A British Government-financed study of Dar es Salaam port has recommended the construction of two berths designed to handle containerised cargo. Reuter reports from Dar es

Salaam. The report, which was prepared by consulting engineers, Bertin and Partners, and the Economist Intelligence Unit, said that the port entrance channel must be improved to enable it to take container ships. Modifications must also be made to the Tanzania-Zambia railway facilities and the Tanzanian central lines to enable them to take containerised cargo directly from the port.

The report also recommends investment in specialised grain handling facilities.

Belgrade, Soviets sign trade accord

BELGRADE—Yugoslavia and the Soviet Union have signed an additional \$430m protocol on bilateral trade this year. This will bring this year's expected trade exchange between the two countries to about \$5bn, some \$1bn more than in 1979, officials said.

The protocol was signed at a meeting in Belgrade of the Joint Yugoslav-Soviet Trade Commission.

The Commission also discussed additional measures to improve and accelerate Yugoslav exports to the Soviet Union.

Yugoslavia's exports to the Soviet Union reached \$616m in the first four months of this year, and its imports from the Soviet Union amounted to \$789m in the same period, Reuter.

Hungary is introducing a competitive pricing system based on world market prices in order to enable industrial growth to return to higher levels within two to three years, says the Birmingham Chamber of Industry and Commerce.

The BCI reported the findings following a recent mission to Hungary, during which it noted that Hungary had been found to be in the process of slowing down its economic growth in order to reduce its foreign trade imbalance.

CAR BREAKDOWNS

Toyota tops W. German reliability league

BY LESLIE COLT IN BERLIN

TWO LEADING West German reports on car reliability and durability have ranked Japanese and West German cars at the top of their annual lists which Italian, Soviet, Czechoslovak and British cars finished at the rear.

The West German Technical Examination Society, TÜV, which inspects all cars registered in West Germany every two years, has issued its results after inspecting some 7m cars for faults. In the category of cars up to two years old the Toyota Carina 1600

leads the list of 84 models for having the fewest failure slips, followed closely by Mercedes Benz and Audi models. At the bottom of the table are Leyland's Allegro, the Chrysler Simca, Autobianchi A-112 Skoda, the BL Mini and, in last place, Alfa Romeo's Giulietta 1300.

West Germany's largest automobile club, ADAC, has also published its statistics showing where it rendered help to those cars which broke down during the past year. Toyota tops the list of cars with the least number of breakdowns at 3.9 per 1,000 registrations followed by

Honda and Mercedes Benz. Alfa Romeo with 57 per 1,000, Lada with 62.8 and BL with 68 are at the bottom.

ADAC, in publishing the statistics in its monthly magazine sent to all members, notes that in most cases the causes of the breakdowns were simple ones which could easily have been avoided by manufacturers and dealers. One of the main causes was defective fan belts which tore after a few thousand kilometres instead of lasting for 40,000 kilometres or more.

Battery trouble was also

among the most frequent problems and was often caused by poor starting and headlamps that do not dim automatically when the ignition is turned off, and another frequent cause of breakdowns ADAC said, was loose cable connections usually in the ignition system.

The report shows that, of cars up to four years old, the Opel Ascona took first place for the fewest failures, followed by BMW models, the Toyota Carina, Mercedes Benz models and the Chrysler Simca.

The bottom of the list was occupied by Skoda, Alfa Romeo Giulietta and BLs Mini.



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UK NEWS

Adviser for Sir Keith appointed

By John Elliott, Industrial Editor

A SPECIAL ADVISER has been appointed to help Sir Keith Joseph, Industry Secretary, reduce State intervention in industry.

He is Mr. David Young, a property developer, who for the past year has been advising the Department of Industry on the use of private sector finance in the Government's industrial properties.

Yesterday it was announced that Mr. Young would advise Sir Keith on these matters generally.

This means he will work on plans to sell part of British Aerospace to the private sector. He is also likely to be involved in other possible projects involving Cable and Wireless, British Shipbuilders and the National Enterprise Board.

Mr. Young, 48, is a director of the Centre for Policy Studies, the Conservative fringe group which was founded by Sir Keith but which criticised him at the weekend for not dismantling the NEB fast enough.

Last month he was appointed a member of the English Industrial Estates Corporation, with which he has been working in the past year. He has helped the corporation to raise funds for its factory projects from Legal and General Assurance, the National Coal Board Pensions Fund and Barclays Bank.

Mr. Young's main job is as chairman of Manufacturers Hanover Property Services, a subsidiary of the Manufacturers Hanover bank of New York. A qualified solicitor, he has also worked for Great Universal Stores and Town and City Properties.

Inspectors to speed up company reports

By John Makinson

A MAJOR effort is to be made to speed up Department of Trade investigations into companies.

Inspectors will be asked to complete their reports within a year in future but Mr. John Nott, the Secretary of State for Trade yesterday turned down a proposal that full-time inspectors should be appointed. Inspectors will probably be appointed less frequently.

The changes in company investigations procedure follow recommendations by four organisations and, in particular, a report from the Council for the Securities Industry (CSI) published late last year. The time taken to complete and publish reports has been a frequent target for criticism.

Inspectors are appointed by the Department of Trade when a full investigation of possible wrongdoing by a company is considered necessary.

The CSI recommended strongly that full-time inspectors should be appointed to

speed up the process, but Mr. Nott said, it might not be possible to attract the right people at the salaries available.

He said that full-time inspectors might not be considered sufficiently independent of the Department and that they would have little to do when an investigation was underway.

Extension

The Department will, however, attempt to accelerate inquiries by appointing people who can devote more time to the job. At present, inspectors are often senior QCs whose other commitments curtail reports.

From now on, if an inquiry is not completed within 12 months, the Secretary of State can grant an extension but will require the inspectors to provide an interim report.

And it is possible that the Department will appoint inspectors less frequently in future, Mr. Nott said he considered it desirable that the appointment of inspectors

should be confined to cases in which the information necessary... or where results "cannot be achieved by examination or books and papers."

In addition, the Department will define the terms of reference of an inquiry more precisely and support inspectors in their attempts to ensure that witnesses attend hearings when requested.

Mr. Nott said he is "considering an extension of the definition of compellable witnesses" but was not specific about what this would entail.

Under current legislation, inspectors can only compel "officers and agents" of the investigated company to attend hearings. This power of summons could be extended to other witnesses.

The CSI report said witnesses should receive more protection when they appeared before inspectors and should be warned in advance of matters on which they will be examined. It also criticised the frequent personal criticisms in reports.

Fuel oil demand fell last winter

By Sue Cameron

UK CONSUMPTION of fuel oil, home heating and most other oil products fell by an average of 12.4 per cent during the first three months of this year, compared with the same period last year, the Department of Energy said yesterday. Demand for petrol continued to rise.

The most significant drop was in the use of fuel oil. Consumption fell by 25.4 per cent from nearly 9 m tonnes in the first three months of 1979 to only 6.5m tonnes this year. The main reason for the reduced consumption has been the increased use of coal — instead of fuel oil — in power stations.

The Department of Energy's policy has been to replace fuel oil with coal where possible, to ensure greater security of fuel supplies.

Consumption of home heating oil fell by 30 per cent although the tonnages involved are lower than for fuel oil. The chief reason for this cut in consumption are thought to have been the comparatively mild winter and an increase in the number of householders switching from oil to gas as a domestic fuel.

But petrol consumption during the period rose by 6.2 per cent from 4.181m tonnes in the first three months of 1979 to 4.439m tonnes in the first quarter of this year. The increase has come despite substantial petrol price rises over the last year.

Experts within the industry said last night that although pump prices had gone up, petrol prices have remained static and may possibly have declined in real terms.

CBI's new president may bring change of style

By John Elliott, Industrial Editor

A CHANGE of style is about to emerge at the Confederation of British Industry which may gradually affect its overall stance on many policies.

Sir Ray Pennock, 59, the chairman of BICC, who until a few months ago was a deputy chairman of ICI, takes over as president of the CBI tomorrow.

He will have a unique chance to put his stamp of carefully thought-out reasonableness on the organisation, because he has to fill the vacuum left by the sudden death last month of Sir John Methven, the director-general.

Head-hunting for a successor to Sir John is beginning. But that successor is unlikely to start work before the end of the year, by which time Sir Ray will be almost a third of the way through his two-year presidential term.

How his style will develop in this time, and how policies will be built up, is not yet clear.

Sir Ray often seems a liberal at heart. A man who would prefer to encourage union leaders in dialogue rather than engage them in confrontations, and who would rather see a more relaxed national economic policy replacing the present hard-headed adherence to high interest rates that harm industry. He also has progressive views on development — employee participation in company decision-making.

But he reacts against being labelled a liberal, especially when memories are still vivid of the CBI's membership revolt against the leadership of Sir Campbell Adamson, director-general till 1976.

Ironically Sir Campbell was keenly supported by another former ICI deputy chairman, Sir Michael Clapham, now chairman of IML.

"I have a confrontatory approach to trade unions because they are not fulfilling their primary purpose of representing their members and looking after their interests," declares Sir Ray.

Two weeks ago, he lectured Mr. David Bascett of the General and Municipal Workers' Union on this theme with such determination in a dialogue in the National Economic Development Council that Sir Geoffrey Howe, Chancellor of the Exchequer, eventually said: "I feel like a spectator at a tennis match."

Mr. Len Murray, TUC general secretary, was away and missed the meeting, and Sir John

Methven had just died. So Sir Ray was speaking directly to a union leader he had known for 15 years or more in the chemical industry.

He explains: "I said to David Bascett 'Let's level with each other. In the CBI we have accepted policies from Labour Governments that we disagreed with, and now you should do the same with the present Government.'"

"But you are doing so. You are not doing the right thing on wages because of your basic opposition to monetary policy."

"Unions should be facing up to the need for lower wage

When Sir Geoffrey attends the CBI annual dinner tonight, he will find many industrialists highly critical of the present level of interest rates.

Sir John Greenborough, the outgoing president, will state this in his after-dinner speech. "We are concerned about the time it is taking the Government to get public spending down, and therefore to reduce interest rates," says Sir Ray.

Sir Ray is likely to attack the Government and criticise fellow-employers for being prepared to agree to pay rises equivalent to the level of inflation, instead of fighting for lower levels to combat the "wage-price spiral."

He says that unions are "too strong," but is not such an outspoken enthusiast for strike laws as are many of his members.

He believes that the present Employment Bill is "about right," because it "meets industrial requirements," and reflects public opinion.

He believes that the CBI's proposed strike insurance fund should go ahead if it gains more overwhelming support from a wide range of CBI companies. He has progressive views about employee participation, though he played a central role in orchestrating industrialists' opposition to the Bullock Report on worker-directors three years ago.

He believes that workers should have a greater involvement in understanding their companies' affairs, and that they should have increasing opportunities to influence company decisions.

This links up with his primary interest in increasing economic understanding.

Part of this interest stems from ICI, where he worked on personnel matters for nearly ten years from 1947, before becoming a divisional commercial director in the early 1960s.

He was a candidate for chairman of ICI in 1978, and became more involved in the CBI (where he has been chairman of the Economics Situation Committee), when beaten to this job by Sir Maurice Hodgson.

He recently became executive chairman of BICC, which will enable him to stay in full employment longer than would have been possible at ICI, where he would have had to retire at 62.

Now he has to split his time, probably on a 50-50 basis between running BICC and striking a balance between liberalism and toughness at the CBI.



Sir RAY PENNOCK
Unique chance

settlements to get inflation down, and to reduce unemployment, which is in their members' interest.

"So let's talk business on this issue rather than on monetary theory. Monetarism will take too long by itself, and will probably throw out the baby with the bath water."

These remarks illustrate Sir Ray's determination to use his presidency to develop a dialogue with the TUC.

He believes that it is the task of the CBI, when there is a Conservative Government in power, to build bridges with the trade unions, and knows that some TUC leaders are in favour of this.

At the same time he is quite prepared to be highly critical of the Government's handling of the economy, a fact that will do no harm to his bridge-building.

New fees may boost bus fares

By Lynton McLain

BUS FARES are likely to increase as a result of Government plans announced yesterday for higher licensing fees for public service vehicles.

Regulations laid before Parliament by Mr. Norman Fowler, Transport Minister, call for the fee to rise by more than 40 per cent from June 9.

The fee for a public service vehicle licence, required by all coach hire use, rises from £45 to £65. A certificate of fitness will cost £35, a rise of £10.

Record price for Pollock

CHRISTIE'S ended its week of picture sales in New York as it began—with a record. The price of \$550,000 (£239,000) paid for

SALE ROOM

By Antony Thorncroft

"Four Opposites" by Jackson Pollock may look small compared with the \$5.2m paid for a Van Gogh on Tuesday but it was a new auction high for the artist and for a work by any contemporary painter. Other artist records were the

\$108,895 paid for "Primordial Light" by Barnett Newman; \$78,280 for "Study for Marshes" by Willem de Kooning; and the same sum for Morris Louis' "Beta Ksi." The two sessions totalled £1,638,369 (\$3,768,250).

In London, an auction of English pottery at Christie's made £98,765 with a top price of £14,000 for a Staffordshire salt glaze pew group made around 1740. It was bought by the London dealer Jellinek and Sampson, Lane, another London dealer, bought a Staffordshire addler toby jug for £3,400.



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Peugeot are moving the centre of Britain

Peugeot Automobiles UK—the British subsidiary of the major French vehicle manufacturers—are creating a new centre for Britain. In Peterborough, Britain's fastest growing city. Just 80 miles from London and under an hour from King's Cross by rail.

Peugeot's reputation for quality is built on a long tradition of thoroughness. They still test-drive every car—not just random samples—before they leave their factory.

The same approach was used two years ago when the company decided they could best service the growing number of Peugeot's in Britain by developing their own centralised parts distribution warehouse. Several locations were examined before Peugeot decided Peterborough was best. Now they will build 150,000 square feet of warehouse and offices on 15 acres alongside the A1 at Orton Southgate, with plenty of space to double in size later.

A bold move. But not unique. Peugeot are in excellent company. Thomas Cook, Sodastream, Therm-a-stor and Crossfield Electronics are just a few of the hundreds of large and small firms that have already moved to Peterborough.

Businesses thrive in Peterborough. New firms grow 15 times faster, on average. Most report profits up, higher productivity, less absenteeism, and wastage down.

Peterborough has an effect on all who come here. It's starting to work for Peugeot. It could work for your business, too.

Find out more about the Peterborough Effect from John Case on Peterborough (0733) 68931.

It must be the Peterborough Effect

House prices in most areas still stagnant

BY ANDREW TAYLOR

HOUSE PRICES in many parts of the country continue to stagnate, but there are some marked regional variations in price performance, according to the monthly house price survey by the Royal Institution of Chartered Surveyors.

More than three-quarters of the 105 estate agents canvassed said that prices either remained static or rose by only between 1 and 2 per cent in the three months to the end of April.

Nationally, 14 per cent of agents reported price falls in the

quarter, but an increased number of agents, still less than 2 per cent, said that prices rose by 8 per cent and more the three months.

There appear to be regional variations in price performance. No Northern agents reported any lower prices. Price trends differ according to age and type of property in different areas.

Demand 'firm'

The institution said yesterday that while the general

trend in prices was to stagnate, market conditions remained erratic and the underlying demand for homes remained firm.

Given the present state of the market, it advised people seeking to move to sell their homes before buying.

Sir Raymond Potter, chairman of the Halifax Building Society, the country's largest, has warned that high mortgage rates are likely to prevail for some time.

Agents' comparison with prices three months ago

	+8%	+5%	+2%	SAME	LOWER
National returns					
Pre-1919 terrace	1.9	9.5	22.9	55.2	10.5
Inter-war semi-det.	1.0	6.7	18.1	59.0	15.2
Post-war semi-det.	1.0	3.6	13.3	62.9	14.3
Post-war det.	1.0	8.7	20.0	54.2	15.1
New houses	2.9	5.7	12.4	62.9	16.2
	2.9	9.5	28.6	50.5	8.6
Northern region					
Pre-1919 terrace	0.0	0.0	50.0	50.0	0.0
Inter-war semi-det.	0.0	0.0	0.0	100.0	0.0
Post-war semi-det.	0.0	0.0	0.0	100.0	0.0
Post-war det.	0.0	0.0	0.0	100.0	0.0
New houses	0.0	0.0	0.0	100.0	0.0
	0.0	0.0	16.7	83.3	0.0

Local bodies study code of practice on financial disclosure

THE MOVE by local authorities to compile a code of practice, in order to meet Government demands for more financial accountability, is the first attempt by councils to demonstrate publicly how ratepayers' money is being managed.

The confidential code drawn up by the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives, has been submitted to the Environment Department and local authority associations.

It is hoped it will be accepted as a voluntary code and obviate the need for legislation. Ministers and local authority leaders will discuss it at their next consultative council meeting at the beginning of June.

Comparisons

The local authorities have produced the code of practice on the basis of three main Government objectives:

- 1—to give ratepayers' clear information about local government's activities.
- 2—to make it easier for electors, ratepayers and other interested parties to make comparisons and judgments on the performance of their authorities.
- 3—to help councillors form judgments about the performance of their own authority.

Because of the problems and expense involved in providing the information, the draft document recommends that the full operation of the code should be phased in over three years to April 1984, except for two clauses which should operate from April 1981.

They are about information which should accompany the rate demand note. This should include:

- 1—The estimated product of a penny rate and the level of rate or county precept (levy) poundages appropriate to the various classes of domestic and non-domestic and unoccupied property.
- 2—A service-by-service breakdown of estimated gross expenditure, including gross housing revenue account and direct labour organisation expenditure.

Total gross income should be broken down to show how much comes from Government grants, from different categories of ratepayer, and from users of services, the code says.

The year's rate level and precept should be compared with the previous year's to show all the changes resulting from inflation, changes in grant, balances, income from charges and service provision, preferably identifying separately changes in volume.

There should be a short statement on the levels of and reasons for contingency funds and balances, and a statement explaining any manpower changes.

Further brief information should include a comparison of rate increases or gross income/expenditure levels with inflation over the previous five years. Maximum and minimum manpower levels for the year should also be shown.

Explanations should be included on how much Government grant has been received, how it has been calculated and what the authority's rate fixing and general financial strategy was, together with major capital items planned or under way.

Each authority should publish its financial report as soon as possible after the end of the financial year—and anyway by the end of September.

The code gives detailed guidelines for the content of the annual report. These include statistics for major services showing the scale of service provision, numbers served, use of service, measures of cost and measures of performance, such as productivity, all compared with previous years.

Comparison of service statistics should be made between the figures for an authority and the average for that class of authority and also other authorities which have similar characteristics—not necessarily the same authority for all service.

The report must also indicate how the financial year turned out compared with the budget strategy and forecast, with explanations for the differences.

Summary

The code would also require a summary of each committee's capital expenditure with a statement indicating the source of finance—borrowing, reserves, leasing.

A summary showing gross revenue expenditure by category (wages, running costs, financing charges) and gross income by source for the year would show separately income from each class of rates.

The code would encourage publication of long-term objectives, including the direction of main policies with supporting statistical data and manpower policies, with references to productivity and incentive bonus schemes.

A feature of the recommendation is that the annual report and financial statement should contain an explanation to help non-specialists find their way through the various accounts, many of which are meaningless to ratepayers who are not qualified accountants.

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ROSE BY ANY OTHER NAME: The name of the rose is Longleaf. The name of the lion cub is Rose. The occasion is Chelsea Flower Show, where John Matlock's new miniature rose—which celebrates the Marquess of Bath's 70th birthday—was launched yesterday

MP demands inquiry into police conduct

BY ROBIN REEVES, WELSH CORRESPONDENT

A FULL Home Office inquiry into police behaviour during their investigation of Welsh holiday home arson attacks was demanded yesterday by Mr. Dafydd Elis Thomas, Plaid Cymru MP for Merioneth.

His demand follows publication of a disturbing report by

the newly formed Welsh Campaign for Civil and Political Liberties.

It alleges the police consistently bent and broke Judges Rules on the treatment of suspects, traded on people's ignorance of their rights and

used intimidatory interrogation procedures to gather political intelligence rather than criminal evidence when it arrested more than 50 people in dawn raids on Sunday March 30 in connection with the burning of holiday cottages.

British group orders £26m drilling rig

BY WILLIAM HALL, SHIPPING CORRESPONDENT

SELECTION TRUST, Houlder Offshore (part of the Furness Withy Group) and Energy Investment Group have ordered one of the world's largest jack-up drilling rigs at a cost of nearly \$60m (£28m).

The rig, designed for all-year-round work in the central North Sea at water depths of 250 ft, is of a cantilever design and will be built in Dunkirk by Compagnie Française d'Entrepris Métalliques. It will be delivered by October 1981 and the owners hold options for another unit with the same builder.

Energy Investment Group, a newly-established company which is controlled by Singa-

pore, Greek and UK-based interests, has put the deal together and all three partners will hold a one-third share.

Houlder Offshore, now operating two semi-submersible drilling rigs in the North Sea, will manage the rig.

It will be able to operate in greater water depths than any existing jack-up rig. It is considerably cheaper than a semi-submersible drilling rig and stands on the ocean floor.

Finance is being provided by COFACE, the French export credit agency. Some 85 per cent of the financing will be covered by an 8½ year loan at a fixed rate of 8.5 per cent interest.

Peugeot picks parts site

THE FRENCH car company Peugeot yesterday signed a contract for a national parts distribution centre at Peterborough.

Peugeot is taking over a 300,000 square foot unit near the Great North Road, the biggest to be handed over by the Development Corporation since the expansion scheme started 10 years ago.

The centre will handle distribution of parts throughout the United Kingdom, and will

eventually employ more than 100 people.

The £18m development will involve purchase of a 13-acre site where the first phase will be ready within two years.

Mr. Henri Hassid, managing director of Peugeot (Automobiles) UK, who signed the contract, said that Peterborough had been chosen for the development after intensive research throughout Britain.

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4. Enjoy the kind of service that's won the top Egon Ronay rating. Egon Ronay's Lucas Guide 1980 rates Delta No. 1 between the U.K. and the U.S. Higher than any other transatlantic airline. You get this outstanding service on Delta from Frankfurt as well as London.

In addition to superb international dining, you can enjoy current-release films and seven-channel stereo at every seat. (In

Economy Class, there's a modest charge for drinks and headsets.) You also have duty-free shopping. There are three types of Delta service to choose from: First Class, Economy Class and Medallion Service Class.

For luxury at a saving, fly Medallion Service Class. It's Delta's special business class for passengers buying full Economy Fare. A quiet atmosphere in which you can work or just relax. Your beverage list includes cocktails, fine wines and liqueurs. You get an increased baggage allowance, too. All at no extra charge.

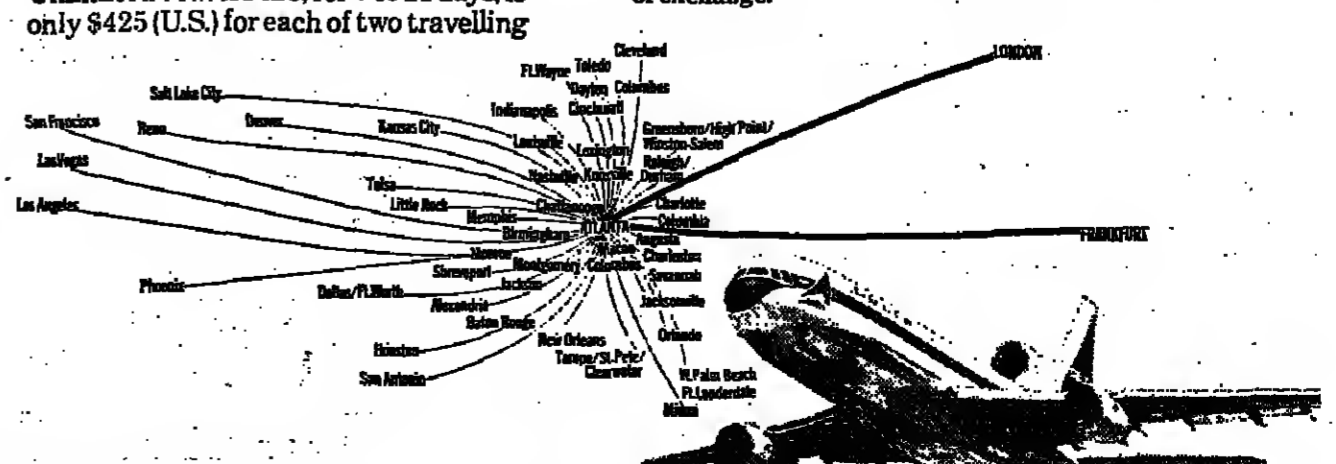
5. Delta gives you a wide choice of low fares. The APEX return fare from London is £286.50. Medallion Service Class is £393.00. And ask about Delta's special discount fares to help you see more of the U.S. for less. Delta's Skypass includes 80 Delta cities in the continental U.S. plus San Juan, Puerto Rico, for £211. The Visit-USA Fare covers 80 continental Delta cities at 40% off regular Day Economy. The Unlimited Travel Fare, for 7 to 21 days, is only \$425 (U.S.) for each of two travelling

together. Check for seat availability and other qualifications on these discount fares. They apply only to flights in the U.S., not to international flights from city of origin.

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Now that you know the facts, make Delta your airline to the U.S.A. For information and reservations, call your Travel Agent. Or call Delta in London on (01) 668-0935, Telex 87480. Delta Ticket Office is at 140 Regent Street, London W1R 6AT. **DELTA**

*All fares listed are for Peak Season. Although Peak Season applies June 15 until October 19, 1980 fares may vary depending on departure date, so check for details. Schedules and fares are subject to change without notice. Fares may vary due to currency rate of exchange.



Delta also flies a Wide-Ride Lockheed L-1011 TriStar nonstop every day from Frankfurt to Atlanta.

DELTA IS READY WHEN YOU ARE

Visitors spend more in UK

SPENDING in the UK by overseas visitors in the first three months of this year rose by 28 per cent on the same period last year, according to Government figures published yesterday.

An estimated 2.1m visitors, an increase of 13 per cent on the same period last year, spent £520m compared with £405m last year.

But the Department of Trade, in publishing the figures said comparisons were difficult as "exceptionally bad weather conditions and industrial disputes" affected travel at the beginning of 1979.

Nevertheless, with the number of visits abroad by UK residents increasing by 22 per cent to 2.7m between January and March, the Department said the trend appeared to be an increase in the number of visitors to Britain and the number of UK travellers going abroad.

UK travellers spent £410m abroad in the first three months of this year compared with £322m last year.

Much of the increase, in both directions, is related to the use of the short sea routes between Britain and Europe, said the Department. Inward and outward travel rose from all parts of the world but the European Community showed the largest gains.

£1.5m chair of rheumatology

THE Arthritis and Rheumatism Council has endowed a new Chair of Rheumatology at Guy's Hospital, with a £1.5m grant. A professor will be appointed next month.

Inflation likely to top Government targets

By DAVID MARSH

RETAIL PRICE inflation in the UK will run at more than 18 per cent by the end of the year, well above the Government's 16.5 per cent forecast, says Henley Centre for Forecasting.

With the average level of wage settlements unlikely to drop significantly, and a fall in sterling expected to aggravate imported inflationary pressures, the centre says prices will still be rising by an annual rate of 15 per cent next summer.

The Henley forecast, in its monthly report on the economic outlook, is the latest in a series of gloomy projections casting doubt on the Government's hopes of achieving a significant reduction in inflation.

Following Friday's announcement that the April Retail Price Index was up by 21.8 per cent compared with a year ago, Sir Geoffrey Howe, the Chancellor, said he was sticking to the forecast made in the March Budget, that the inflation rate would be down to 16.5 per cent by the end of the year.

But London Business School, a broad supporter of the Government's monetary policies, projects a year-on-year rate for 1980 of 19 per cent.

This forecast was echoed at the weekend by Charterhouse investment and banking group, which said the average increase in the RPI would be 19 per cent for 1980 and would fall to around 15.4 per cent in the first half of 1981.

The Henley Centre say that because of the likelihood of further increases in the real price of oil, there is only a remote chance of inflation falling much below 10 per cent over the next five years.

This means that the Government's monetary targets set down in its medium-term financial strategy are unlikely to be achieved.

On average, the annual rate of growth of sterling M3, the broad measure of money supply, is likely to be about 10 per cent over the next five years, well above the level set down in the Government's plan.

The Government may have to implement an incomes policy. This possibility, could be a factor encouraging unions to rush through wage deals before next winter.

The centre estimates that the annual rate of increase of average earnings will still be running at about 19 per cent at the end of the summer. This implies an average rate of increase of unit labour costs of more than 20 per cent for the whole economy this year.

It is forecasting a fall in the annual rate of increase of wages and salaries to 15 per cent by summer 1981, as tight labour market conditions start to bite. However, there is some possibility of an acceleration

of wage inflation in the next pay round starting in the autumn. With consumer-orientated and service industries not feeling the monetary squeeze as much as the investment goods sector, early pay settlements in the wage round for instance at Ford—could be highly inflationary.

Short-term interest rates are expected to fall rapidly in the second half of this year, and a 5 to 10 per cent depreciation of sterling from current levels seems likely. Because many companies urgently need to increase prices as soon as exchange market conditions permit, the inflationary consequences of such a depreciation could be severe.

"In these conditions it seems unlikely that the Government could maintain either its policy of laissez-faire with regard to the labour markets or its medium-term monetary targets."

Chair in microprocessor applications endowed

FINANCIAL TIMES REPORTER

A CHAIR in microprocessor applications in industry is to be established at Manchester University, endowed by Barclays Bank.

Barclays has entered into a ten-year covenant with the university, and has provided an initial £250,000. The appointee, who will be based in the university's Department of Computer Science, is expected to begin work in October.

Mr. Brian Pearce, a Barclays general manager, said yesterday: "We welcome this association with Manchester University, which is an established centre

of excellent in computer technology."

"We believe it will help with the modernisation problems of industry, particularly in the North-West. It is vital in the light of American and Japanese competition."

The professor will develop an advisory service for solving industry's problems related to the application of microprocessors.

Prof. Dai Edwards, who has held the ICL chair in computer engineering since 1968, said that the new endowment provided an important source of funding for staff.

March car production drops by 25.8%

By James McDonald

BRITISH CAR production in March was nearly 25.8 per cent lower, on the basis of weekly average output, than in the same month of 1978. BL was by far the biggest contributor to the overall drop, with the weekly output falling by 7,309 cars, or 56.8 per cent, from 12,861 to only 5,559 vehicles.

Total UK car production was 19,793 weekly, compared with 26,682 in March of last year.

Society of Motor Manufacturers and Traders statistics show that car output by Ford and Vauxhall also declined.

Ford output averaged 8,977 units weekly—890, or almost 10 per cent down on March last year—while Vauxhall production was about 16.3 per cent lower at 1,533 vehicles weekly. Talbot was the only exception to the general trend among major car manufacturers. Its output, at 3,812 units weekly, was 80 per cent more than in March, 1978.

Within the BL group, Austin Morris production was 54 per cent lower at 4,601 cars compared with 10,008 a year before, while Jaguar, Rover, Triumph output, at 786 units weekly, was down by 69.3 per cent.

For the first three months of this year, British average weekly car production was 2,041 units, or 8.1 per cent lower at 22,988 vehicles.

SMMT figures show that commercial vehicle production in Britain was also lower in March although less so. Weekly average output, at 8,549 units, was 1,534 vehicles, or 15.2 per cent down.

During the first three months of this year, however, commercial vehicle production was slightly higher with weekly output, at 9,433 units, comparing with 9,230 in the first quarter of 1979.

Government threat of more spending curbs in Scotland

By RAY PERMAN, SCOTTISH CORRESPONDENT

THE GOVERNMENT has told Scottish local authorities that it will take stronger powers to curb their spending, unless they reduce budgets for the current financial year by at least 4.5 per cent.

In a circular to chief executives, Mr. George Younger, Secretary of State for Scotland, says that the total of council's budgets for 1980-81 exceeds the target set by the Government, by £76m when calculating the rate support grant at November, 1979, prices.

This figure, he adds, is incompatible with the national economic requirements seen by the Government, and that, unless budgets are reduced before June 20, when Mr. Younger is to meet local authorities to discuss finance, he will consider action.

The circular goes on to point out that powers already exist to reduce excessive spending by individual authorities in certain circumstances, and that Mr. Younger could take additional powers.

The row between the Government and Scottish authorities has been brewing for several months, and the Scottish Office is already taking action against one of them, Lothian Regional Council, which has increased its

rate by 42 per cent—to allow for real growth in services. Each of the councils' capital spending projects is now being looked at and sanctioned individually.

But although Lothian is the biggest offender, it is not the only one. Two other regional councils have budgets five per cent or more above the target figure and more than half the district councils plan to exceed the guidelines by 15 per cent or more.

Over budget Attitudes among councillors have hardened since the local elections at the beginning of the month, when Labour tightened its grip on Scottish authorities at the expense of the Conservatives and Scottish Nationalists.

Over-budgeting is only half the problem and another disagreement is in prospect over cash limits—the topping up grant from the Government to allow for inflation and pay settlements.

This has been calculated, assuming an annual inflation rate of 13 per cent, whereas the authorities, who are already facing teachers' strikes over pay, believe that the actual figure will be much higher, leading to spending of at least £90m above the grant as now proposed.

More than 5,000 jobs created in rural Wales

By ELAINE WILLIAMS

MORE THAN 5,000 jobs have been created in the three-year existence of the Development Board for Rural Wales, says its report published today.

But the board says changes in development status of much of rural Wales will make it more difficult to attract new industry, especially manufacturing.

By 1982, 85 per cent of rural Wales, which covers 40 per cent of the country, will have lost all development status. The board seeks to retain a larger proportion as a development area.

Finances for the board will be reduced from £8m in 1979 to £6.2m this year. Dr. Iain Skewis, the board's chief executive, says emphasis will be placed on building small factories to encourage new businesses, because it does not have resources to build larger units.

Factories under construction or planned number 75. They are intended to provide 900 jobs in the area, which has a population of about 200,000 representing a mere 7 per cent of Wales' total population.

Ladbroke opens 3 hotels

By LISA WOOD

THREE NEW hotels were opened yesterday by the Ladbroke Group as part of a £11m development programme.

The hotels are in Leyland, Lancs; Loughridge, Birmingham; and Bracknell, Berks. Construction of a fourth hotel, in Edinburgh, has just begun.

Mr. John Jarvis, chairman and managing director of Ladbroke hotels division, said occupancy in Ladbroke hotels was ahead of the national average. The group's confidence in the industry's future was typified by the development programme, he said.

The group has 40 hotels and

the new hotels bring its total number of bedrooms to 4,620.

£79,000 aid to fight cancer

THE INSTITUTE of Cancer Research, which works closely with the Royal Marsden Hospital, has received a \$180,000 (£79,000) grant for cancer research from Bristol-Myers, the U.S. pharmaceutical company.

The Institute, at Sutton in Surrey, is one of the first two research centres to receive the three-year research grant outside the U.S.

Laker to back air fare cuts campaign

By Michael Dwyer, Airspace Correspondent

A CAMPAIGN for cheaper air fares throughout Western Europe is being supported by Sir Freddie Laker, chairman of Laker Airways, and Lord Bethell, a member of the European Parliament.

The aim is to get as many individual travellers as possible to complain to the European Economic Commission in Brussels that the existing system of air fares applied by scheduled airlines is in breach of Article 85 of the Treaty of Rome.

This prohibits any organisation either directly or indirectly fixing purchase or selling prices, limiting or controlling production and markets, or sharing markets or sources of supply.

The campaign is being run by Business Traveller magazine, which will publish in its July issue a completed EEC complaint form, for readers to sign, which will then be sent to Brussels.

Sir Freddie emphasised yesterday that he would pursue his own appeal against the recent rejection of his bid for a substantial number of cheapfare European routes.

His bid was rejected by the Civil Aviation Authority, and he has now lodged an appeal with Mr. John Nott, the Secretary for Trade.

If this is rejected, he will pursue the matter through the UK courts.

Sir Freddie claimed yesterday that the law was on his side, and added that "all we have to do is beat the customers out of the business."

Also associated with the campaign, called "The Freedom of the Skies" is Denmark's Sterling Airways, an independent operator which some time ago was refused permission by the Danish Government to run a low-fare "Skybus" service between London and Copenhagen.

Laker Airways has won a £2m contract from a group of travel operators to fly passengers regularly between Gatwick and Tel Aviv, from next November, for the second year in succession.

The tour operators involved are Modernline Travel, Twickenham Travel and Mac Charter Number One, of Tel Aviv.

Brokers for the deal were Dolphin Maritime and Aviation Services. Prices for the flights will be announced later.

● The Association of Independent Tour Operators has protested to MPs against the recent increases in airport security charges.

Mr. Colin Murison Small, chairman of the association, said: "The levy was increased from 85p to £1.60 per passenger from February 1. However, the actual cost of maintaining security measures at some provincial airports (those not operated by the British Airports Authority) ranges from 52p (Bristol) to £1.35 (Manchester)."

Important tip from an ex-Lord Mayor of London:

Any company currently thinking of leaving London would do well to take a leaf out of Dick Whittington's book.

There are now many new schemes to encourage commerce and industry in the capital.

And combined with London's unique in-built advantages, they create powerful new incentives to stay, set-up or expand here.

Here are a few brief details:

For a start, it's easy to overlook London's "invisible" benefits.

London is the nation's capital, hub, and arguably the capital of capitals.

What you can't see can help you

Merely being in it confers prestige and acceptability on businesses, particularly abroad.

And a market of one-third of the country's consumers is within a 100-mile radius.

London is a world centre for trade, finance, culture and ideas.

Its invisible earnings account for as much as 20% of Britain's total exports.

Its transport systems are highly developed to service local, national and international needs.

And it has the largest resident workforce in the country—with established housing, shops and schools.

The last point alone can be worth a fortune to many businesses.

As anyone who has ever tried to relocate a workforce will know.

In short, London offers many benefits that are easily taken for granted while you've got them.

And priceless when you haven't.

London's Docklands—the largest redevelopment scheme in all Europe

At 5,500 acres, Docklands is the biggest single proof that London is actively implementing new schemes here and now.

More than £300m. is due to be spent on new works in the next three years. Many new factories, homes and roads are completed and in use; and many



Fig. Housing development, Easton Dock, Wapping.

Below: New industrial units, Zennor Road, Lambeth.



Fig. Housing development, Easton Dock, Wapping.

Below: New industrial units, Zennor Road, Lambeth.

more are at an advanced stage of development.

Ford, Unilever, Crosse & Blackwell, Tate & Lyle and Bass-Charrington are just a few of the household names in the area.

And the Daily Telegraph and News International, publishers of the News of the World and The Sun, will soon be joining them.

But while Docklands may be the blockbuster, it's by no means the only scheme in progress.

There are many others in various parts of the Greater London area and an impressive amount of work has already been completed.

Including new light industrial units in Hackney, Shoreditch and Greenwch; new factory units at Southwark, Woolwich and Silvertown; and new workshops in Lambeth.

And there are many more schemes currently under construction.

In place of hindrance

Businessmen used to official bodies creating obstacles rather than removing them will find the London Industrial Centre and the Docklands Development Organisation a pleasant surprise.

As their names suggest, one represents the whole GLC area and the other specialises in Docklands.

And both personify the encouragement of enterprise in the capital.

They help and advise on site location, workforce, sources of finance, planning applications, construction; and give all possible assistance to viable proposals.

For example, News International were able to obtain planning permission for their new £40m HQ and printing complex in just 20 working days.

Both services are free. And ready to provide you with more information simply by phoning 01-633 2424.

Why not do it now? Rather like Dick Whittington, you could be doing yourself a good turn.

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LONDON DOCKLANDS LONDON INDUSTRIAL CENTRE

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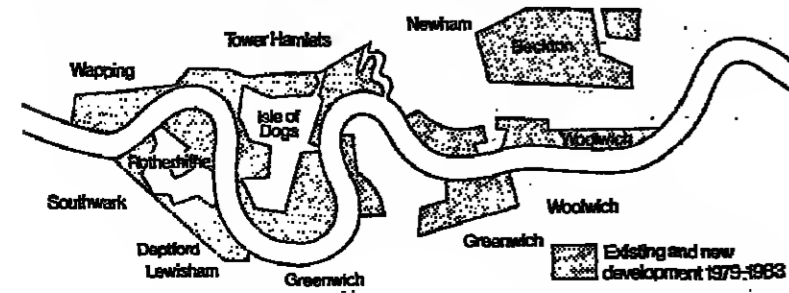


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Below: New industrial units, Zennor Road, Lambeth.

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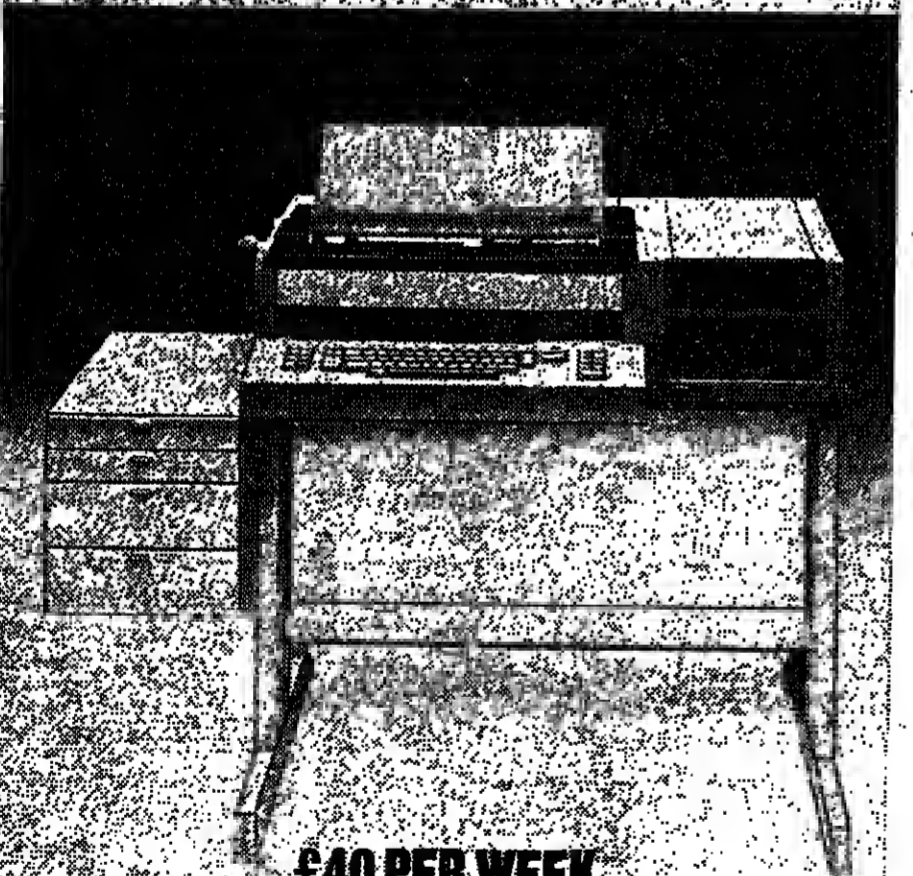
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Financial Times Tuesday May 20 1980

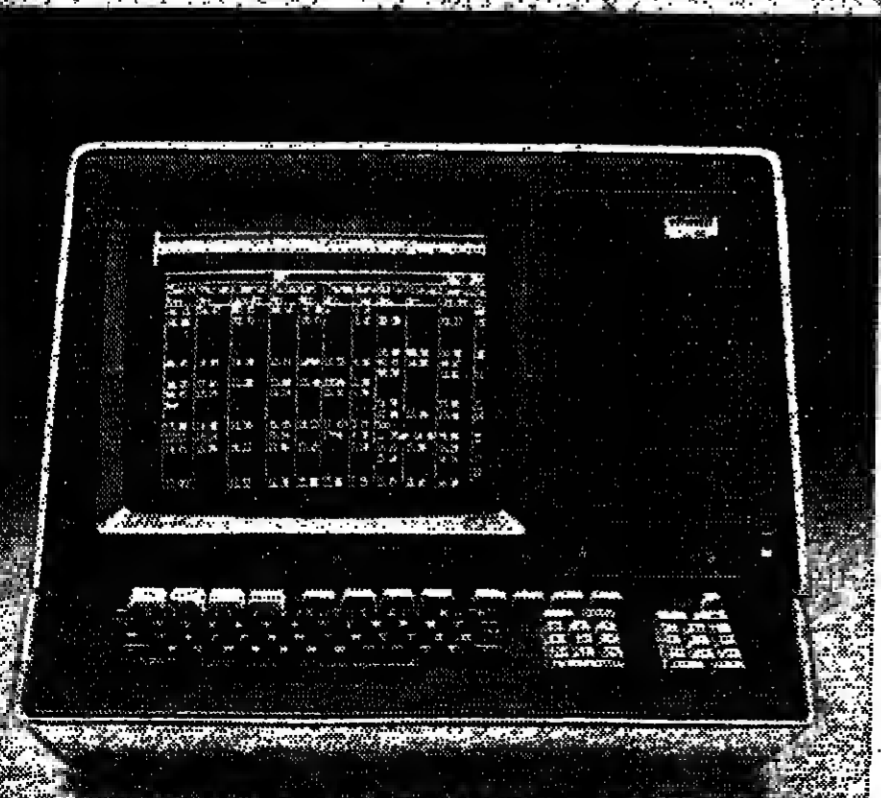
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UK NEWS — PARLIAMENT and POLITICS

Howell rejects charge of unfair petrol price rises

BY IVOR OWEN

ALLEGATIONS that motorists are being subjected to unjustified increases in petrol prices were discounted by Mr. David Howell, the Energy Secretary, in the Commons yesterday.

Mr. Joe Ashton, a Labour Energy spokesman, accused the oil companies of putting up prices just two days after Saudi Arabia's announcement last Thursday that it was raising its prices by \$2 a barrel.

Yet, he said, it took five weeks for a tanker to reach Britain from Saudi Arabia.

Mr. Ashton called on the Government to "stop this closed shop of big brothers holding motorists to ransom."

Mr. Howell replied there was strong competition at the petrol pumps in the north and other parts of Britain.

As a result, he said, pennies

had been knocked off the pump prices in some cases.

Mr. Howell assured Mr. Ashton that the recent rise in petrol prices announced by some oil companies had nothing to do with the latest increase announced by Saudi Arabia.

"They reflected the higher costs of oil working through the pipeline all the time," he explained.

Mr. Howell, who stressed that British consumers could not be insulated from the higher cost of energy, again underlined the fact that there could be no certainty about the level of world oil production.

"We expect the market to be roughly in balance this year, even allowing for some further production cuts by OPEC," he said.

"But the balance is fragile

and could be upset at any time, for example, through political developments in producing countries."

Mr. Hamish Gray, Minister of State for Energy, told Mr. Greville Janner (Lab., Leeds, West) that a rate of oil production roughly equivalent to net self-sufficiency should be attained by the UK towards the end of the year.

"The UK may then become a potential net exporter of oil," he added.

Asked for the latest estimate of the date when North Sea oil reserves would be exhausted, Mr. Howell said it was not practicable to give a date.

He expected production to continue well into the next century.

Mr. Gray confirmed that discussions were taking place with the industry on a depletion policy for British oil and gas resources. He expected to make a statement shortly.

Martin Dickson, Energy Correspondent writes: The South of Scotland Electricity Board would prefer to continue relying on the advanced gas-cooled nuclear reactor (AGR) "unless and until" it is clear that another reactor system has clear advantages.

This was stated yesterday by Mr. Roy Berridge, chairman of the SSEB, who added that it was by no means clear at the moment that the rival American-designed pressurised water reactor (PWR) would be attractive to the Board.

He was giving evidence to the Select Committee on Energy which is examining the Government's nuclear expansion programme. This includes the ordering of a PWR station before deciding between it and the British-designed AGR.

He said that the SSEB's stance was not to oppose the PWR but to say that it should be thoroughly examined under British conditions.

In a memorandum to the committee, the SSEB said that its Hunterston B AGR station was working well, and that it was starting to build a second AGR at Torness. The Board was dealing with a "known situation with the least practicable, technical and commercial risk."

By contrast, the risks attached to building a PWR station in Britain in the next few years were inevitably high because the technology was very different.

Government may shift property cost burden

By Elinor Goodman, Lobby Staff

THE GOVERNMENT is considering making individual Government departments responsible for their rents and other property costs which presently do not come out of their own budgets. In the same way, individual departments may be billed with their advertising expenditure rather than, as now, the money coming from a central budget.

Campaign

The object of both changes would be to tighten up on accountability and make Ministers more aware of just how much money these services are costing. It would form part of the Government's general campaign to improve the efficiency of the Civil Service and inject an element of cost-consciousness into the system.

At present the costs of all Government buildings around the country are charged to the Property Services Agency which also has the job of maintaining Government property and reports to the Department of the Environment.

In the same way, advertising expenditure comes out of the vote for the Central Office of Information. In the current year, for example, the COI will spend £27.7m on advertising and will get only about £5.8m back from public agencies like the Manpower Services Agency.

Relationship

The Government has already changed the relationship between departments and the HMSO, which like the Property Services Agency used to provide its services to departments out of its own budget rather than billing those which used it.

If departments were to be charged for additional services, like rents, their cash ceilings would presumably have to be raised to compensate for the additional expenditure. But those in favour of the change argue that if these costs became part of a department's overall budget, Ministers would look at them more critically and possibly find ways of making economies.

Row on Iran sanctions

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

AS THE result of furious protests from MPs yesterday, an emergency debate is to be held in the Commons today on the Government's decision to introduce economic sanctions against Iran.

Sir Ian Gilmour, Deputy Foreign Secretary, was the centre of a heated row for 45 minutes when he made a statement explaining the sanctions decision taken by EEC foreign ministers at their meeting in Naples over the weekend.

Labour MPs bitterly complained that the Government had cheated and misled the House when the Bill on sanctions had been rushed through the Commons last week.

Their fears were echoed by many Tory MPs who were extremely worried at the effect which retrospective sanctions would have had on British companies trading with Iran.

Eventually, after some hesitancy, Mr. George Thomas, the Speaker, granted an emergency debate on an application by Mr. Tam Dalyell (Lab., West Lothian).

The Speaker gave his verdict after Mr. Enoch Powell (Ulster Unionist, South Down), intervened to reinforce Mr. Dalyell's argument about the urgency of the matter. Mr. Powell reminded him that the Government would be bringing forward sanctions orders, which would come into force immediately.

Mr. Dalyell recalled that in April Britain had exported goods worth \$54m to Iran, and that our exports to that country were beginning to climb back towards their old level of \$750m a year.

The Iran (Temporary Powers) Act which was approved last week, only imposes sanctions on new contracts—a point which had been heavily emphasised by Government Ministers when the measure was debated last week.

What particularly infuriated MPs was that powers to make sanctions retrospective were being taken under the Import, Export and Customs (Defence) Act of 1939. They claimed that Ministers had failed to make this clear in last week's debate and that most MPs had voted for the sanctions legislation under the false impression that it only applied to future contracts.

These charges were strongly denied by Sir Ian.

He argued that the Government was acting entirely in accordance with precedent. The Minister said that the sanctions orders would come into effect as soon as possible, probably by next Thursday, and that the House would have a chance to debate them.

Service contracts would not be affected except for new service contracts in support of industrial projects which would be banned as the appropriate Government order was made.

Mr. Peter Shore, Labour's Shadow Foreign Secretary, protested that this was a very unsatisfactory statement. The Opposition felt that the implementation of sanctions should have been held back in view of new developments.

Since last week's debate, he said, the Iranian president had made an appeal to the EEC countries, there had been a new UN initiative, and the Iranian elections had been brought forward.

Mr. Dalyell forcefully demanded a three-hour

debate on the sanctions issue. He said that although there was overwhelming support for sanctions amongst Conservative MPs, they had not been aware in the debate last week that they were to be retrospective.

From the Tory benches, Sir Nicholas Bonsor (Nantwich), said that although there was overwhelming support for sanctions amongst Conservative MPs, they had not been aware in the debate last week that they were to be retrospective.

Damage

"This is going to do enormous damage to British industry," he complained. "Many people since November have made contracts quite justifiably, which are now going to be revoked over our heads."

He thought that it could only be the influence of the EEC on British Government policy which had led to this being done.

In the Lords, where there were similar protests, Lord Carrington, the Foreign Secretary, said that it was intended to set up a co-ordinating machinery among the Nine to make sure that sanctions were imposed in parallel. There would also be co-ordination with other countries such as Japan.

He said the Government would "look more closely" at the difficulties over the application to renew contracts as they arose.

Asked whether sanctions would be successful he replied cautiously: "Time alone will tell."

Emergency replay of the whole sanctions debate. The Government could not be allowed to break the rules, especially when some \$54m a month of British business was at stake.

Mr. George Thomas at first seemed inclined to declare against him.

There would be opportunities for debate, he began—but not until after the sanctions orders were in force, Mr. Enoch Powell and Mr. Douglas Jay quickly informed him.

The Speaker just as quickly changed his mind. There would be an emergency debate, he allowed. And Sir Ian, slightly abashed, sloped off to pad up for it.

Less than three hours later word came that the Government had decided not to defend its position. Retrospective sanctions were out—and Sir Ian would play it straight today.

No 'firm plans' on Civil Service cuts

BY PHILIP BASSETT

SENIOR WHITEHALL officials yesterday acknowledged that no firm plans for specific departmental reductions as yet lie behind the new round of Civil Service Manpower cuts announced last week by the Prime Minister.

The admission to the Commons' Select Committee on the Treasury and Civil Service will give support to those union leaders and Labour MPs who view as arbitrary the new cut of 40,000 posts.

Sir John Herbecq, Second Permanent Secretary of the Civil Service Department, told the Committee that the figure of 630,000—which is the Government's target for the size of the Civil Service to be achieved before the next election—represents a considered judgment by the Government of what is practicable in this way over an extended period. It is not however based on firm plans already worked out—that still lies ahead.

Departmental Ministers will now work on detailed plans of how to achieve the cuts. The Government is hoping to agree where the cuts should be made next year before the summer recess.

Ministers have already begun negotiations with the CSD. The final decisions on even the broad pattern of cuts in later years will probably not be taken until September at the earliest.

The negotiations will take much the same form as the discussions over the last round of public expenditure cuts. Departmental Ministers will be reminded of the Government's overall objective of cutting the number of civil servants by about 8 per cent, but they will not be given a particular figure to work towards.

Instead they will be asked to review the working of their Departments and to calculate what savings are possible. Only after these initial bids have been made will Civil Service Ministers start making their own views known about which Departments could make the biggest savings.

Ministers involved in drawing up the planned reductions are keen not to push some more moderate Civil Service unions into line with the more militant associations by a combination of staff cuts, pension adjustments and much lower pay rises than those in other sectors.

Sir Ian sloped off, abashed

BY PHILIP RAWSTORNE

SIR IAN GILMOUR pursued his lofty patrician approach to the Commons yesterday—and ended up to the neck in trouble.

The Lord Privy Seal announced with engaging diffidence that the Government had agreed with its EEC partners to ban exports to Iran under any contracts since November 4 last year.

But that, protested Mr. Peter Shore, Labour's foreign affairs spokesman, was just what it had told MPs it would not do.

In all the debates on the Iran sanctions, Government Ministers had implied that existing contracts would be exempt, he said.

"Cheating, cheating," Labour MPs chanted in united support. Sir Ian drawled that they had "not got it quite right." They should read Hansard

column 919—or 921 is better," he said. Sir Ian read it aloud and concluded that the Government had clearly reserved its position.

But no matter what the fine print said, MPs on both sides had no doubt about the impression they had been given.

Mr. David Winnick repeated that the Government was cheating; Mr. David Ennals vigorously accused him of flouting the will of the Commons.

"I do not think a point gets any stronger by being repeated three times," Sir Ian said dismissively. Or four times," he added, as Mr. Ian Evans made it again.

Sir Ian, still feebly waving his Hansard, now began to sink rapidly beneath the mounting pile of protests. "The House must have been aware of the possibility . . ." he said. "No, no, no," MPs chanted.

Mr. Julian Amery gloomily pronounced that sanctions would probably fail—but either way Britain would suffer. Other Tory MPs, pursuing the thought, started to press the increasingly unhappy Sir Ian for Government compensation for any companies affected.

How would the sanctions applied by other EEC countries be monitored to ensure they did not take advantage of Britain's ban on exports? they demanded.

Sir Ian replied that the Government would see that "those who play cricket are not disadvantaged by the non-cricketers."

Mr. Tam Dalyell, however, was intent on ensuring that Sir Ian himself played the game.

Mr. Dalyell forcefully demanded a three-hour

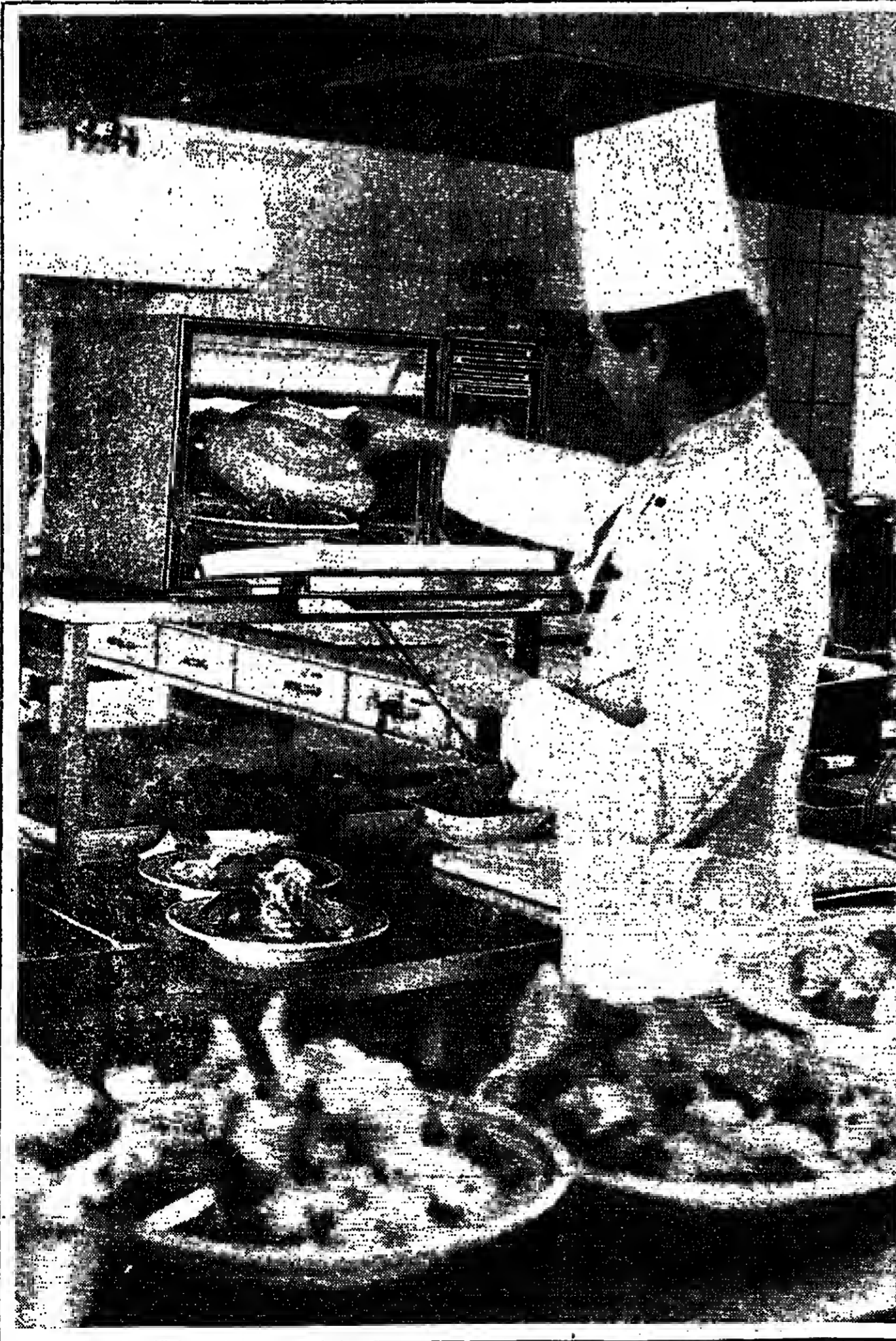
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This Amana Radarange microwave oven brings fine food to gourmets on the go.

If it was true at one time that fine food and fast food were mutually exclusive, it isn't any longer... not since the advent of microwave cooking. That's particularly true at the Autobahn Restaurant near Würzburg, West Germany. They use an Amana Radarange microwave oven as an essential part of their food preparation process. Travelers who dine at this well-known restaurant are assured of a delicious meal without sacrificing their time. In fact, a leading publication recently named it the Autobahn's best restaurant.

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UK NEWS - LABOUR

Postal unions warned of staff reductions

BY NICK GARNETT, LABOUR STAFF

THE POST OFFICE has warned leaders of its biggest union that unless it agrees to local productivity deals, management will cut staffing levels and attempt to introduce new working practices to improve postal service efficiency.

Mr. Tom Jackson, general secretary of the Union of Post Office Workers, said he had been left in no doubt that Post Office management was prepared to take on the union and forcefully resist any retaliatory industrial action.

Such confrontation would be inevitable, said Mr. Jackson, if the Post Office did not seek union agreement.

The union's annual conference in Blackpool will decide today whether to support an executive recommendation permitting local efficiency schemes in areas where branches wish to see them introduced.

Mr. Jackson, in the face of considerable membership resist-

ance to such schemes, argued that unless the attitudes of his membership altered fundamentally, postmen would suffer irreparable harm and the service would "sink into oblivion".

A detailed efficiency scheme, designed to cut overtime and some staffing levels through improved traffic handling, has already been devised by management and union officials for the London postal areas.

That scheme and similar schemes to be introduced elsewhere, depend on firm approval from today's conference session.

The Post Office views today's decision as crucial to its operation and thinks it could have an important influence upon the Government's decisions over the future of the postal monopoly.

Local efficiency schemes are seen as even more important than the national staffing arrangements recently agreed

in a ballot of the union's membership.

The national scheme had originally been rejected by a special delegate conference. In the case of local schemes, however, the union's executive says it will have no recourse to a ballot if the leadership recommendations are rejected today.

Local schemes, in which postmen would receive 70 per cent of staff savings, would provide up to three types of extra pay bonuses.

In one test case office, this could amount to about £7 a week. High overtime earners, however, who form a large minority of UPW members, would see their earnings fall.

The union leadership, in common with management, is attempting to break the existing pattern of relatively low basic pay, with long overtime working to produce high earnings. In some cases, this overtime virtually doubles the length of the normal working week.

Mr. Jackson, admitting that the posts have been providing a bad service, said the service as a whole had to change or it would "gradually fade away."

It was partly in the powers of the membership to improve the service in order to resist attempts to dismantle the postal monopoly, and to minimise the social effects of new technology.

Steel strike badly mishandled, alleges GMWU official

THE FAÇADE of unity maintained by the trades union movement in the three-month national steel strike shattered amid recriminations yesterday, writes Alan Pike.

Mr. Frank Cottam, national officer of the General and Municipal Workers' Union, told delegates to his union's conference at Bournemouth of "terrible mistakes and errors of judgment" not only by the British Steel Corporation but by some unions involved.

"There were some characters around the bargaining-table who would have had difficulty negotiating Hampton Court maze—and I am talking about finding a way in," he said.

He avoided names but left little doubt that the industry's largest union, the Iron and Steel Trades' Confederation, which made the running in the dispute, was the target for much of his criticism.

The seeds of the strike, he said, were sown 12 months before pay claims were submitted, when the trade union movement opted for free collective bargaining and the TUC's proposed concordat with the Labour Government was opposed on the general

council by leaders of some steel unions.

Following the election of the Conservative Government, these same steel-union leaders found themselves negotiating a claim in a so-called free collective bargaining atmosphere for the first time.

No doubt the prospect of free collective bargaining conjured up a vision of a thriving industry, said Mr. Cottam. "They forgot the other side of the coin."

The empty order-books, the over-capacity, the fierce foreign competition, and the loss of £1m each working day.

Quoting the comment by Mr. Bill Sims, ISTC general secretary, that the strike was intended to be a short, sharp one, Mr. Cottam said: "And this at a time when British industry had enough steel stocks to last not just weeks but several months, and the ability to get more."

A proposed settlement negotiated by the craft and general unions including the GMWU, in mid-February, was "publicly reviled by some others," said Mr. Cottam. The strike was then prolonged for a further seven weeks for an additional 1 per cent, which was then hailed as a great victory.

Wage claims will not be restrained, warns Basnett

BY ALAN PIKE, LABOUR CORRESPONDENT

TRADE UNIONS will make no attempt to restrain wage increases while the Government continues with its current economic and industrial policies, Mr. David Basnett, chairman of the TUC economic committee, said yesterday.

This forthright warning by one of Britain's most influential union leaders must increase Ministers' concern that continuing high wage settlements may jeopardise the forecast decline in inflation this year.

The Government should be told that their attempts through exhortation to restrain our efforts to maintain and increase our members' real wages are doomed to failure," Mr. Basnett told the conference of his General and Municipal Workers' Union in Bournemouth.

No efforts were being made by the Government to restrain the rise in unemployment, the

rise in inflation and the decline in living standards of those both in and out of work.

"Most importantly, no attempt is being made to reverse the appalling decline in British industry."

Mr. Basnett acknowledged that the trade union movement has lost much of its political influence and strength with the change of Government.

The GMWU had already taken the initiative by calling for a TUC ban on the use of Government money for trade union hallots, demonstrations against the Government's economic policy and a TUC review of union participation in National Economic Development Council sector working parties.

Government policies were aggravating trade union members' social and economic problems and its objective was to undermine their only defence,

the unions said Mr. Basnett. The policies were intended to ensure "that we are denied influence on the Government's social and economic policies and that we are weakened by law and enfeebled by the effect of their economic action."

Mr. Basnett, who on Sunday claimed that five national newspaper editors had attended a Downing Street meeting at which they were encouraged to undermine last week's TUC Day of Action, again attacked Press reporting of the demonstration.

"The techniques employed were, and I use the word advisedly, Hitlerian," he said.

Mr. Basnett stood by his claim that a meeting with editors had taken place and said, in response to official denials, that he did not expect the Prime Minister to give details of such meetings which had also occurred under previous Governments.

Wales TUC wants job cuts agreement to be vetoed

BY ROBIN REEVES, WELSH CORRESPONDENT

AN APPEAL to Mr. Len Murray, TUC general secretary, to veto last week's steel cuts agreement between Port Talbot trades union representatives and the British Steel Corporation management was made yesterday by Mr. George Wright, general secretary of the Wales TUC.

Mr. Wright claimed the deal—which permits BSC to more than halve production at the plant to 1.4m tonnes with well over 6,000 redundancies—contradicts a joint agreement made at national level with the unions and the TUC on January 10.

This stated, according to Mr. Wright, that the TUC would ensure no union would enter into discussions with BSC on its radical cuts proposals without the collective agreement of all other unions involved—because of the serious repercussions for the rest of the economy in Wales.

The Wales TUC reckons that

implementation of BSC's cuts at Port Talbot and Llanwern will ultimately result in loss of up to 40,000 jobs in South Wales, notably in transport and coal industries.

The National Coal Board, faced with a sharp decline in its outlets for coking-coal, has already embarked on a financial review of loss-making pits in Wales. This is expected to point to colliery closures and up to 7,500 job losses in the industry later this year, even though the miners are pledged to oppose, by industrial action if necessary, any closure except where reserves are exhausted.

Meanwhile, negotiations on the Llanwern cuts are due to resume today. BSC seeks to cut the workforce from 8,150 to 3,251, based, again, on an annual output of 1.4m tonnes. However, the unions will press for the workforce to be stabilised at 6,799, producing 2.56m tonnes—the plant's actual output in 1979.

Banned office-holder seeks court order

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A MEMBER of the National Society of Operative Printers, Graphical and Media Personnel, disqualified from holding union office for calling Mr. Owen O'Brien, the union's general secretary, a liar, complained to the High Court yesterday that his appeal against the ban was being unfairly delayed.

Mr. Herbert Hand, father (chairman) of Natsopa chapels (office branches) at The Observer and Daily Mail, asked the court to order the union to expedite his appeal or suspend his disqualification pending appeal.

Mr. Peter Clark, his counsel, told the Vice-Chancellor, Sir Robert Megarry, that in the background of the case were rumours and allegations that Natsopa officials had been involved in doubtful property transaction and the purchase of grange lands and disoverseigns.

Mr. Hand alleged that at a union meeting in April last year Mr. O'Brien had said he had received only a £10,000 mortgage from the union's super-annuation fund.

Mr. Hand had accused Mr. O'Brien of lying. He said an independent report on the union's finances by accountants Peat, Marwick and Mitchell showed that at the end of 1978

Mr. O'Brien's mortgage had been £28,000.

At a disciplinary hearing against Mr. Hand, Mr. O'Brien deposed having mentioned £10,000, and said the £28,000 had been a bridging loan.

Three witnesses called by Mr. Hand said Mr. O'Brien had mentioned £10,000.

Mr. Hand was held to have contravened a union rule that made it an offence to insult a union official.

Mr. Clark said Mr. Hand had been refused a quick appeal against the ruling. It was important that his appeal should be heard speedily or he would be unable to stand in biennial union elections later this year.

Mr. Stuart Shields, QC for Natsopa, read evidence stating that the union's appeals committee normally sat only in November of each year. Delays for which Mr. Hand had been responsible had prevented his case being dealt with in time for an appeal last November.

The union recognised that if an appeal was not heard until November, Mr. Hand would, in effect, be barred from office for 24 years, whatever the outcome of the appeal. But it felt that the circumstances did not merit a special appeal hearing before November.

The hearing continues today.

TGWU leaders will meet BL management this week

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

TRANSPORT and General Workers Union leaders meet senior BL management on Friday to discuss a report from Eurofinance, the Paris-based management consultants, which casts doubt on the viability of the company's recovery programme.

The fact that the transport union is discussing the specially-commissioned report with the company before making it public suggests a willingness to do a deal rather than risk confrontation.

Mr. Moss Evans, general secretary of the TGWU said last night that his report supported "substantially" the view taken by his union that the recovery plan involving more than 25,000 redundancies would not provide a long-term solution to BL's problems.

But there was a warning

from Eurofinance that the TGWU should have an eye to damaging disputes. The consultants say: "From the confusion of the current situation, it seems to us that the TGWU should focus on limiting BL's exposure to short term shocks."

The transport union team will be led by Mr. Grenville Hawley, national automotive secretary, and Mr. Todd Sullivan, secretary of the staff section.

They will demand more information from BL about its plans and urge further investment to guarantee introduction of the LC 10, the new middle range car.

The outcome of the talks will be crucial to BL's recovery plans as the transport union remains pledged to support any workers who resist planned changes and redundancies.

Bid to add women to TUC council

A proposal to increase the number of women's places on the TUC general council from two to five will be put to the council and the annual congress in September.

This is all that remains of the latest attempt by moderate unions to change the general council's structure by introducing proportional representation.

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Workskills: how to run things backwards

BY MICHAEL DIXON

THE CLASSICAL poets' habit of kicking off by wheeling assorted Gods to look kindly on the impending masterpiece, always used to strike me as daft. Now, however, I can see their point.

Having promised in April a series of readers' reports on the skills of managerial jobs, I'm naturally keen to produce the next instalment. But I'm nervous of doing so, on account of what has happened in the last one, about big-company financial management. It appeared on April 29, but only the Frankfurt editions of the FT were published on that day. The following week I repeated it for the benefit of those receiving the London editions... and the same thing happened again.

Thus, therefore and accordingly hearken, O lofty Denizens of Olympus! I give thee best over the financial-management report. So now kindly go and clobber somebody else while I print the next contribution, which cometh from a manager in Switzerland.

"I am a pharmacist by training. I recently threw away my college notebooks and glanced through them, realised that most of the experiments noted were laboriously documented with measurements and mathematical equations. I also realised that I have never since had any recourse to the material contained in my studies, except in

a very general way—which has been most useful, of course. "Since then I have followed (successfully) a career in the pharmaceutical industry, on the whole using talents which at the outset I didn't know I had. The main ones are:

"The ability to make use of specialists such as mathematicians, nutritionists, and physical chemists, and also of production workers, combining their efforts so that a product resulted. This, however, is not just the job of co-ordination, because the creative impulses and decisions were my responsibility.

"The ability to solve problems which would take a long time to explain in detail. But to put it simply: I have discovered that there is apparently an aptitude or attitude of mind which some people possess, which is conducive to finding solutions. I have trained this ability, but the nucleus which must exist before training can be effective, seems to be a trait of character. The skill has become a part of my job: I am often asked to consult on really knotty problems in other departments. But it was not specified at the outset.

"The ability to find people who can help you to get the job done. This might seem rather an odd ability. It was, however, forced on me because, although my position was officially in a marketing department, the job was essentially a technical one

for which I had no facilities. I had to find ways and means, but above all people, who would help me to do my work. Sometimes I was able to offer payment, but mostly not. Even within a company, local loyalties can often mean that little interest exists for the problems of other sections. So I think the ability to awaken interest in other people is a very real asset. "Although I did not enjoy my studies, I have enormously enjoyed—and still do—my actual work which has been very varied, albeit within the same industry."

Main points

Since we have got this far, it seems safe to assume that the Fates are sporting themselves elsewhere. So I will now bark back briefly to the jinxed report from the financial manager, and to the previous contribution from a director of management services, printed on April 22. Both of these made, like today's pharmaceuticals, manager, two particular points which happened to be also common to most of the other 35 reports generously sent by readers in response to the "Workskills" inquiry.

The first point is that the detailed knowledge associated with study in the education system and with formal professional training (the financial manager started his career as a chartered accountant), is at

least of minor importance in the managers' work. The second point is that the skill of gaining co-operation from other people is of central importance in the same people's jobs. But it is clear that in emphasising their dependence on "social skills" the managers, did not mean the ability to "get on with other folk" in the general sense. They were talking about something specific. My definition of it would be: the ability to establish and develop relationships with other people, that are appropriate in the context in which the work has to be done.

Between these two points from the reports, there lies what I think may be a major reason for the mismatch between the human products of formal education and professional training closely allied thereto, and the kinds of ability required for managerial work.

Here again, however, it is necessary to go beyond the detailed knowledge associated with such education and training and characterised by the managers as of little use to the education system's broader concern. This can fairly be said to be with the mental qualities measured by the Intelligence Quotient. The main effect of formal education is to pick out people possessing these qualities to a marked degree and to refine them by means of academic study. But it cannot

be said that Intelligence Quotient denotes a general intelligence. IQ was originally instituted especially to measure aptitude for study of the academic kind. So to say that graduates generally have a high IQ, is not to say much more than that tall people are generally at least six feet long. And the following comment by Stuart Sutherland, Professor of Experimental Psychology at Sussex University, is particularly germane to the Workskills inquiry:

"... it is not known how far measured IQ correlates with insight into oneself and others, skill at conducting personal relationships, or the ability to produce a good woodcarving. To the extent that abstract mental manipulations enter into all three skills, there may be some correlation, but we have at present little idea of how much. Moreover, everyday observation of others suggests that there may be little correlation between IQ and that important but elusive human quality that we term 'wisdom.' It might in fact be less misleading to refer to the quality measured by intelligence tests not as 'general intelligence,' but as 'abstract intelligence.'"

Now, it seems clear that jobs of the kind held by the contributors could not be done by people with below-average abstract intelligence. But that is beside my main point. What is beside my main point. What the contributors positively show

is that their managerial work depends less on the application of abstract intelligence—particularly in the refined form which is the object of higher education—than on a different kind of ability. It is that of establishing and developing relationships appropriate to the context of the work.

This ability, as Professor Sutherland confirmed, has not been identified with IQ, which is the main concern of academic education. But it seems reasonable to suppose that the ability could be developed by other processes: during the time people spend in education, processes which give them disciplined practice in conducting appropriate relationships, such as the running of school societies and participation in team games.

The only trouble is that over the past decades education has generally placed reducing emphasis on above-average IQ youngsters' engaging in such activities, so that they might better concentrate on academic study. Thus the educational tendency has been away from the skills central to managerial work, in favour of those which are of relatively minor importance.

While I now see the point of the Classical poets' opening importunities, I shall never see the point of that tendency. It is daft, and it can become only still dafter. It needs to be reversed, immediately.

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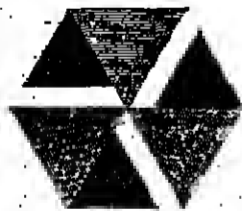
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Mr. Eric Sidebotham has been appointed managing director of PPD ENGINEERING, a member of the Laurence Scott Group. Mr. Sidebotham has been managing director of Thorn Auto-mation since 1972.

Mr. H. L. Cleaver has been appointed a non-executive director of R. J. BARWICK AND SONS. Mr. Cleaver was, until retirement, director and financial controller of Tilbury Contracting Group.

Following his appointment as president of Precision Components, Inc. of the U.S., Mr. J. Alfred Reeves, formerly managing director of Weyburn Engineering, has resigned as director of international operations of the CARBORUNDUM engine components division.

Mr. Gerald E. A. Perutz, until 1977 general manager of the Bell and Howell European Region, has been elected to the Board of BELL AND HOWELL COMPANY, the parent firm in the U.S. The first European to become a director since the company's formation in 1907, he left



Mr. Stuart Tarrant

Sir William Pile has been appointed to the Board of the DISTILLERS COMPANY.

Mr. T. M. Millar has been appointed general manager of the Chelmsford factory of RHP BEARINGS. Previously manufacturing manager, he joined RHP in September 1979 from Rover's Cambslang plant. Mr. Millar succeeds Mr. E. McCoy, following the latter's appointment to the main Board of Ransomes Sims and Jefferies.

Mr. Don Love has been appointed area manager at Liverpool Street station in succession to Mr. Ted Savory who recently retired.

At a meeting of the INCORPORATED SOCIETY OF BRITISH ADVERTISERS' COUNCIL, Mr. Peter J. Prior, chairman of H. P. Bulmer, was nominated as the next president of the ISBA, to take over in July 1980, after the annual meeting. Sir Adrian Ashby, who has been president of the ISBA since 1978, will be nominated as the new vice president in succession to Sir John Hedley Greenborough.

Mr. C. R. C. Morgan, finance director and company secretary of FINNISH PAPER AND BOARD SERVICES, is to resign from May 31 to concentrate on developing his private interests in financial consultancy, manufacturing and computer bureaux.

Mr. J. A. Hope has resigned as group managing director of NEGRETTI & ZAMBRA to take up a post with Wilkinson Match.

Mr. A. M. Ryd and Mr. P. Negus have been appointed senior executives with responsibilities within the Latin American region at MIDLAND BANK INTERNATIONAL.

Mr. Martin C. Bowen has been promoted to senior vice president and general manager of FIRST CITY NATIONAL BANK OF HOUSTON'S London branch.

Mr. Robert A. Walker has been appointed group sales director of the NORTH WEST-ERN TRAILERS COMPANY, a member of the Howe Group.

Mr. Geoffrey Hamlyn, county architect of the Cheshire County Council, has been elected president of the SOCIETY OF CHIEF ARCHITECTS OF LOCAL AUTHORITIES.

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Bank of Australia	17 1/2 %	Keyser Ullmann	17 1/2 %
Bank of Canada	17 1/2 %	Knowles & Co. Ltd.	17 1/2 %
Bank of China	17 1/2 %	Langris Trust Ltd.	17 1/2 %
Bank of Ceylon	17 1/2 %	Lloyds Bank	17 1/2 %
Bank of India	17 1/2 %	Edward Manners & Co.	17 1/2 %
Bank of Japan	17 1/2 %	Midland Bank	17 1/2 %
Bank of Korea	17 1/2 %	Samuel Montagu	17 1/2 %
Bank of N.S.W.	17 1/2 %	National Westminster	17 1/2 %
Bank of Oman	17 1/2 %	Norwich General Trust	17 1/2 %
Bank of Persia	17 1/2 %	P. & B. Bank	17 1/2 %
Bank of Portugal	17 1/2 %	Royal Bank of Canada (Ldn.)	17 1/2 %
Bank of Rangoon	17 1/2 %	Schlesinger Limited	17 1/2 %
Bank of Saudi Arabia	17 1/2 %	S. S. Schwab	17 1/2 %
Bank of Singapore	17 1/2 %	Security Trust Co. Ltd.	17 1/2 %
Bank of Siam	17 1/2 %	Standard Chartered	17 1/2 %
Bank of Sumatra	17 1/2 %	Trade Dev. Bank	17 1/2 %
Bank of Swaziland	17 1/2 %	Trustee Savings Bank	17 1/2 %
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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

MATERIALS

Battle of the laminates

A HOUSEHOLD word, considered a generic term, and more than 34 years old is Formica—name of the company and the product. In marketing terms it is a mature product that has come a long way without gathering moss, but gloss.

The company is now out to attack that segment of the UK market which is dominated by imported laminates. It has a multi-million pound investment on Tyneside which houses sophisticated equipment and installations supplemented by a re-equipped customer service facility and a new marketing strategy aimed at providing a UK-made alternative to foreign laminates which currently enjoy a considerable share of the home market as a result of their competitive pricing.

Part of the strategy will be to move the company's Maidenhead research centre to the Tyneside factory (creating 60 scientific jobs for the North East) which means that all areas of activity will be concentrated here.

A major item in the company's current capital investment programme is an electronic six-colour Rotogravure printer from Windmoller and Holscher, West Germany, which is capable of handling webs up to 1620 mm wide.

With the bringing into service of this machine, Formica now has the full advantage of computer control at production level with control equipment which includes: precise registration control; ink viscosity control; a scanner permitting inspection of the web while in motion; a fault finding system allowing rapid fault analysis; and a device which monitors the quality of the surface papers.

The customer service facility is linked electronically with production planning, progress management and inventory control functions, which provide customers with virtually instantaneous information on the progress of their orders.

Because it is making a determined counter-thrust against

imported laminates (which currently enjoy a third of the UK market), the company has revitalised its Decamel range with prices remaining at the November 1978 level.

From an earlier range of 31 designs, 15 have been withdrawn. The addition of 24 new designs brings the revised range to 40 items, including 10 wood-grains, seven patterns, three marbles and 20 plain colours. Standard sheets are 10 x 4 ft, but selected designs may also be available by negotiation in 12 x 5 ft size.

The company feels that with this range backed by aggressive selling, it should make a big dent in the market share of imported laminates.

A new range of DIY components under the product name Craftform (Formica decorative laminates ready-bonded to a chipboard core in a number of forms) have found a local market place in a test-market operation at the Dickens Home Improvements Hypermarket, Shiremoor, near the company's Tyneside factory.

Offered to the DIY enthusiast who may be tackling the modernisation of an older house, the products are all compatible with each other, and the variety of laminate designs allows them to be used in every room in the house.

The company has just started to manufacture laminate clad boards to meet the requirements of BS 4965:1974, available in the full range of decorative laminates, including special artwork, under the trade name Lifeseal.

Seven types of composite board cover specifications from light duty minimum impact requirements to heavy duty, high impact and high humidity resistance. Three plywood core type boards also include flame retardant versions to the same classification. Particularly interesting is Type H/S—said to be the UK's first laminate clad cement chipboard surfaced with Formica flame retardant grade decorative laminate.

DEBORAH PICKERING



Reassembling a gearbox at a West Midlands steel strip rolling mill after repair of all three sets of bearings and shaft journals by Deritend Electrical Services, a member of the Deritend Group. The gearbox, which drives the finishing stand of a mill failed in service when the water supply to

the cooling jacket was interrupted causing overheating and ignition of the lubricating oil within the box. Bearings were damaged and journals scored. Shafts were polished to restore the bearing locations and replacement white-metal and phosphor-bronze bearings scraped to fit on site.

DATA PROCESSING

Machines capability increased

DATA PROCESSING division of IBM UK has disclosed the IBM 4331 Model Group 2, offering 1, 2, 3 and 4 megabyte storage.

It uses the same 64K-memory and 704-circuit chip technology as in the IBM 4331 and 4341 processors and, says IBM, existing 4331 Model 1 processors can be field upgraded.

Principal aspects include an 8K-byte high-speed buffer and 128K-byte of reloadable control

storage to accommodate standard functions and special features requiring microcode.

Remote monitoring of system performance and problem diagnosis capabilities is possible through integrated service processors.

Developed in Boeblingen, Germany, the new processor will be manufactured in Mainz, for Europe, Middle East and Africa. First customer shipment is scheduled for the last

quarter of 1980, with upgrade shipments beginning in the first quarter of 1981.

Typesetter for Arabic

RESEARCH ENGINEERS of the Compugraphic Corporation (which claims to be the world's leading maker of computerised phototypesetting systems) started a project two years ago to make its equipment available to the Arabic-speaking peoples—and now announces the Edit-Writer 7500.

Derived from the company's high-speed EditWriter 7700, the new model has a random access memory and the operational routine is loaded into it every time the machine is turned on.

Another major difference between the new model and its predecessor is in the video screen—the 7500 has a micro-processor operating the screen alone, with 512 characters available for display.

Arabic and Latin characters appear on the same line in the 7500—not only out of the photo-unit, but also on the operators' screen, and to obtain bi-lingual composition, it is programmed to use special font strips.

Distributor is M. H. Whitaker and Son, Wetherby, West Yorkshire (0487 619447).

METALWORKING

Will trim wire mesh

DESIGNED for shearing the surplus edges from mesh panels and similar products without damaging the mesh (common problem with traditional reciprocating-arm trimmers) is the Rototrimmer from Hudson Forge, Foundry Street, Birds Royd, Brighouse, West Yorkshire (0484 713285).

INSTRUMENTS

New products from streamlined plant

FOLLOWING decisions to embark on significant development programmes for compact, fast but inexpensive electro-sensitive printer units, English Numbering Machines, part of the Rank Organisation, has moved into a new 70,000 square feet factory at New Southgate in North London.

But the company, turning over in excess of £5m and employing almost 500 people, is still one of Britain's biggest producers of mechanical and electromechanical counters which in production terms involves 32 injection moulding machines of several kinds turning out about 2m components each week, mostly small numbered wheels for the counters.

At the new factory location very little is bolted on to or built into the shop floor: to be ready for any product in the counting and printing fields, the production space can be reconfigured at any time. All permanent plant is placed outside the factory and power supplies to shop floor are derived from overhead bus-bars.

An efficient flow of material, parts and assemblies through the factory is now possible—a far cry from the tight ageing, separate buildings occupied at the old Enfield location. Further streamlining is provided by an IBM 3740 computer now in use for stock and production control.

The whole move has been conceived, planned and carried out in about 18 months and deputy chairman David James, largely responsible for the re-shaping of ENM, described it at the formal opening last week as a good example of "British industry setting off its backside and putting itself in order."

The company is making a big

marketing effort with the new ESP40 electro-sensitive printer: there are now 250 in the field and the up to ten off price has now been set at £414.

A preference over foreign imports of similar units has been shown by the Post Office which will be taking about 2,500 printers for its MAC (measurement and assessment centre) telephone exchange performance project, while the National Coal Board has placed £50,000 of orders for a scheme that will plot the velocity of shaft cages in, ultimately, 200 mineshafts throughout the UK.

Both Flessey and Ferranti are assessing the unit, the former for a military system and the latter for an electricity demand monitoring unit. The Home Office is also conducting trials in the use of ESP 40 aboard fire engines for data reception at the scene of the fire, over a radio link.

Further developments of the technique are in hand. For example, to avoid having a moving print head, a paper-width head is being planned: the only moving part will then be the paper transport.

The company is also able to interface the ESP40 direct to a television set for the production of hard copy of teletext and videodata material—a market admitted to be somewhat embryonic at the moment.

In 18 months or so however, an announcement seems likely in the fast, quiet and versatile ink-jet printing area: early prototypes already exist.

It is a further diversification which can only mean that turnover in printers, 12.5 per cent of the total at the moment, will rise further. Eighteen months ago it was zero.

GEOFFREY CHARLISH

Measures the current

THE APPLICATION of the microprocessor to measuring instruments continues apace, providing facilities and a degree of convenience of operation that are a far cry from the instruments of a few years ago.

Latest unit from Keithley Instruments is intended only for voltage, current and resistance measurements, but if the electrometer input options are employed it can measure currents from well below one picoamp up to two amps, voltages from 10 microvolts to 200 V, and resistance values up to two million megohms and down to a tenth of an ohm.

It can have two channels in operation so that while one, for example, is measuring voltage to ground at one point the other can be checking current in an independent branch of the circuit. The micro will then compute ratios or differences of the channels. If desired up to 50 of the readings taken can be stored for use at a later moment. Similarly, offsets can be automatically subtracted from readings.

Ranging can either be automatic, or the ranges can be "latched" up or down by button depressions. Both channels can be fed into an IEEE 488 bus for automatic instrumentation system use.

More from 1 Boulton Road, Reading, Berks. (0734 861287).

Tools for metrology

ONE OF the country's highest standards, Draper, has come out with a new range of precision measuring instruments that are manufactured to the company's specifications in countries as diverse as India and East Germany but will carry the Draper name in the UK.

Micrometers will be available in both imperial and metric calibrations from one inch (25 mm) to 24 inches (600 mm), and the top of the range models will be equipped with electronic digital displays.

A considerable variety of dial gauges and accessories is also to be launched including clock gauges in inches and metres, dial test indicators, holders, thickness gauges, comparators and magnetic stands.

Other items include gauge blocks in high chrome steel available in stepped sets (0.001 in or 0.001 mm) and conforming

to appropriate British Standards.

Toolmakers' microscopes form part of the range and a number of profile projectors are also to be introduced.

More from B. Draper and Son, Hursley Road, Chandlers Ford, Hants SO5 5XP (04215 66355).

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Robust sensors

INDUSTRIAL STANDARD platinum resistance thermometers developed for use by large companies which have in-house calibration laboratories or measurement service departments have been announced by Sensing Devices, Tiffenham Road, Southport, Lancs. PR8 6AG. (0704 35738).

These devices consist of very small spirals of platinum housed in the bore of multi-bore high quality alumina tube. Glass adhesive holds a small section of each turn of the spiral firmly in position after firing. The grades of platinum, alumina and adhesive used have compatible coefficients of expansion so that the sensors give consistent readings and do not suffer from mechanical strain even after repeated thermal shocks. Useful temperature range for long term stability is 0 to 450 deg. C.

Sheathed in pre-aged and temperature stabilised stainless steel, the units are 450 mm long and 6 mm in diameter. Full calibration data is provided.

Analyser aids dairy production

WORKING ON commercial applications of technology developed by Mr. John Shields, a graduate of York University, the Berwind Corporation of Philadelphia, U.S.A., opened a new 5,000 sq ft facility at Wheldrake, six miles south east of York, to handle the Multispec infrared dairy products analyser made and marketed by the firm.

Multispec, which goes on an ordinary workbench, can produce in 20 seconds a four-part analysis of samples of milk and milk products. In addition to an almost instant analysis of fat, protein, lactose and solids contents, the unit can provide data in other food fields such as starch, oil, protein and moisture in grain, and to cheese, yoghurt, ice cream and other milk products.

Berwind, Shields, and a research team at York University, are working closely together on problems in the field, York being financed by a £100,000 grant from the Wolfson Foundation.

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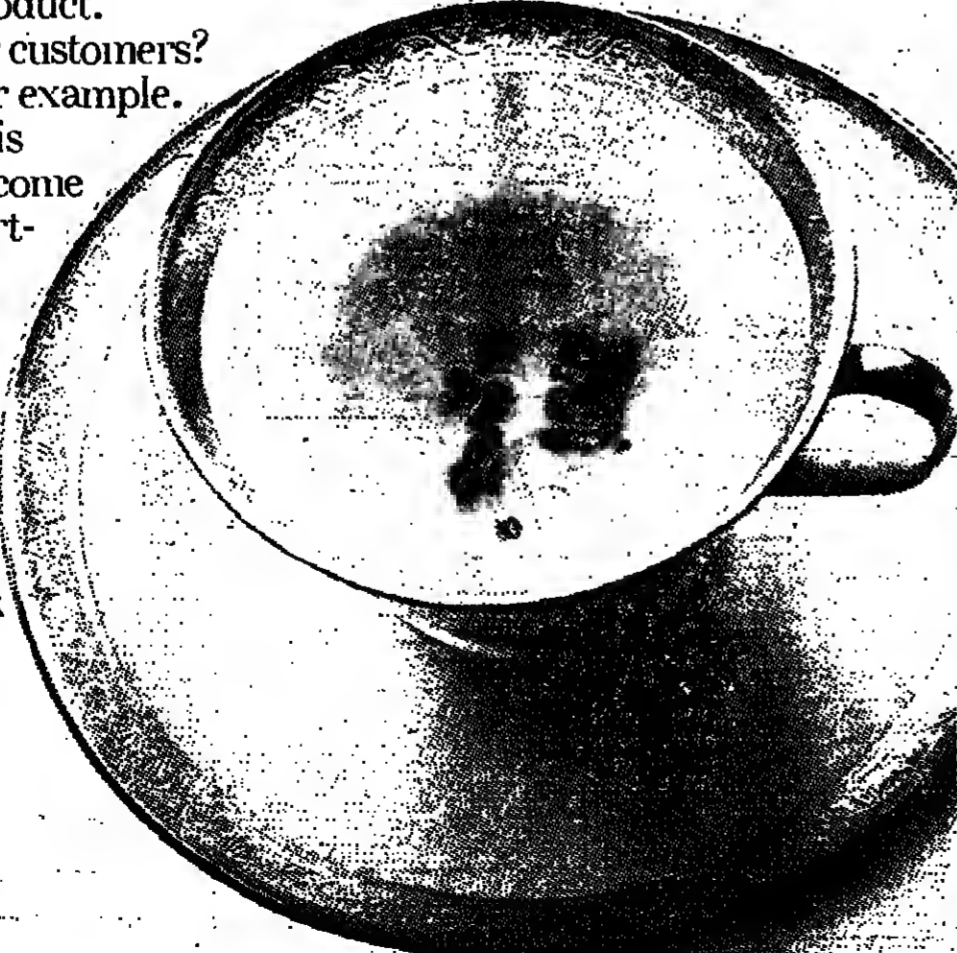
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Word processing (word processing), n. 1. a modern computerized method for the efficient processing and management of printed information. 2. allowing major text revisions to be made quickly and inexpensively. 3. increasing the productivity of clerical personnel. 4. minimizing the impact of overflow work. 5. saving money.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

The trail to India—slow but sure

Hazel Duffy looks at the investment hurdles in one of Asia's most industrialised economies

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Reopening agreed tax

We received a letter from H.M. Inspector of Taxes confirming their determination of 1977-78 liability of our company after full submission of all necessary documents and other information. Subsequently, we received notification that they wish to amend their determination on the grounds of a re-interpretation of facts which they had in their possession from the start.

Can H.M. Inspector of Taxes change a decision reached by him and accepted by the company's auditors and, if so, when can companies consider their tax decisions as final?

The short answer to your final question is "After the final anniversary of the end of each accounting period," by virtue of section 34(1) of the Taxes Management Act 1970.

The first part of the question (as to the limitations upon the power given to tax inspectors by section 29(3) of the Management Act) is much discussed in the standard works on the Taxes Acts, and you must rely upon the technical knowledge of the company's auditors (or solicitors) to guide the board as to the likelihood of the inspector being successful in his attempt to reopen agreed matters. The case which inspectors like to quote in situations like this is *Jones (Inspector of Taxes) v. Mason Investments (Luton) Ltd.* (43TC570), but taxpayers counter this with the judgment in *Centlon Finance Co. Ltd. v. Ellwood (Inspector of Taxes)* (40TC176).

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

MINISTERS and businessmen who flocked to China over the past couple of years are mostly still waiting for the magic orders to materialise. It may well have been more worth their while had some terminated their trips in India.

This huge country presents many baffling barriers to the aspiring investor/exporter but probably no more so than most developing countries. In addition, there continues to be a lot of goodwill towards, and common background with, British companies, which they have not always used to advantage.

There can be no denying that India presents many frustrations for its own businessmen, let alone for the outsider. As a centrally-planned economy, licences have to be obtained for almost everything, and the negotiation is lengthy. In spite of the formidable bureaucratic hurdles, however, many companies still think it worthwhile to break into this market.

The experience of J.C. Bamford, which to make construction machinery in India, provides an example.

In accordance with Indian requirements, JCB had to set up a majority partner domiciled in India. JCB chose Escorts, a big engineering group just outside Delhi. Escorts made all the representations to the Government for the necessary licences, and the joint venture agreement was signed in February 1979. It was decided that a complete new factory would be necessary, and the land was bought the following month.

The building programme has been held up by the continuing power cuts which are affecting the whole of India this year, and construction work has had to be planned around the days when power is available. Diesel fuel is also in short supply, and this has delayed deliveries of essential materials. In view of these interruptions, it is not surprising that JCB's "man on the spot" describes progress as "laboriously slow."

On other fronts, however, events have shown that not all the problems are insurmountable. Many of the components are being supplied from JCB in the UK and the company says that careful planning has helped them on this score; parts have cleared customs in less than two weeks. The main frame and drive axle is being supplied by Escorts. While the new factory is awaiting completion, which should be in a few weeks, assembly of the first run will take place at another



Escorts' motor cycle factory near Delhi—the company is broadening its activities through a deal with Yamaha. It is shortly to start production of J. C. Bamford's excavator loader.

factory. In the main, JCB remains optimistic that the venture will work well, and is convinced that India presents a big market for its backhoe loader.

Escorts, like many Indian companies, is prepared to look at technology from all parts of the world, and has just signed an agreement with Yamaha for the manufacture of a new motorcycle.

This way of acquiring expertise has studded Indian industry with a "cocktail of technologies," much of which has now been assimilated and added to so that it has become indigenous expertise. According to a study carried out recently by the Association of Indian Engineering Industry, over 5,300 foreign collaborations have been approved by the Government over the past 22 years. Indo-British collaborations constituted 23 per cent, and of this total of 1,238, some 75 per cent have been in the engineering industry.

The outcome of these collaborative ventures is that India now has a well-developed industry in mechanical products, such as diesel

engines, automotive components, machine tools, hand tools, forgings and castings, etc., as well as in items such as tractors, cycles and scooters. The Government's emphasis, however, has been on import substitution rather than specialisation for export, which has resulted in a very wide spread of industry.

Exports

With India's balance of payments situation becoming more acute, mainly because of higher-priced oil imports, the Government is belatedly hoping to push up exports of industrial products, particularly to the developed world. In the past few years, India has already relaxed some of the bureaucracy surrounding the import of vital components and materials, and there have recently been moves to cut out some of the red tape involved in exporting. A big industrial fair is also being held in Rotterdam this week (May 19-23) where it is hoped to impress upon European buyers that Indian industrial products offer good quality and value.

At the same time, a conference will be held (also in Rotterdam) where some of India's leading industrialists will attempt to explore with European companies those areas where there could be mutual benefits in transferring technology to India, either by outright purchase from Europe or through collaborative ventures. They will hope to give a boost to the idea of promoting joint consultancy projects in various countries, particularly the Middle East. India has been keen on for some time, but has not progressed very far.

The conference will also consider an extension to other countries of a pilot project which the Association of Indian Engineering Industry has been carrying out with the Confederation of British Industry in the UK to promote engineering links between the two countries.

Product promotion, however, is only the beginning of India's task of winning markets in the developed world. Much more challenging will be the job of winning orders for those types

cent share.

Similarly, there is a dawning realisation that India will have to import equipment for the modernisation and expansion of such basic industries as steel, mining and transport. Otherwise, the interruptions to the supply of basic necessities, like power, will continue, making a nonsense of the promotion of industrial exports.

The recent agreement signed with Alumina-Pechiney of France for the construction of an aluminium plant provides for technology and credit to be supplied from France. Civil servants say that this sort of bilateral deal, which is new to India, will also be pursued for a planned coastal steelworks, for which the British Steel Corporation and Davy are bidding, along with Mannesmann Demag. The first project, and possibly the second, will include the sort of financing and buy-back deals that the Chinese are demanding in return for contracts placed with Western companies.

These expressions of progress, however, have to be tempered by the fact that in most cases they have not yet been translated into reality. Politics has paralysed India for the past 18 months, and 1979 was a very bad year for industrial production. So far, Mrs. Gandhi has given no indication that she intends to give greater priority to the private sector, which is the source of the bulk of India's industrial exports. But every body is hoping that once the state elections are out of the way there may be more encouragement.

India's need now is to update its industry, and to do this it will continue to require foreign technology. One company that would like to move into more advanced technology on a higher scale is Hindustan Machine Tools. Set up by the Government to get

the machine tool industry started, it now makes many other products from watches to fluorescent light tubes. Exports, however, are confined to machine tools, where HMT has built up a considerable reputation even in sophisticated markets. Its products are still mainly in the standard machine tool range, but it would now like to find more acceptance for its numerically controlled machine tools.

These have been designed and developed largely with HMT's own expertise. HMT is also selling its expertise in Standard Machine Tools to help to set up factories in Nigeria and Algeria.

The market in India for sophisticated machinery is small, and mainly to public sector industries like aerospace. This highlights a problem which is common to other companies advanced technology on a commercial scale, namely that the home market, in spite of being huge in population terms, is still very small for such products. If HMT could find more buyers in India for its NC machine tools, it would enable it to build up sufficient volume to pursue exports.

The company is conscious, however, that at the same time countries like Taiwan and South Korea are developing their machine tool industries in preparation for exports. In spite of Indian costs being low, HMT says its prices are still higher than those of other Asian exporters. One reason is that social costs—HMT like many companies, provides housing for many of its employees—are high. There is also considerable over-employment.

As in the case in any country, India has some very good companies and others which are not so good. Manufacturers enjoy a

highly protected home market, which has not always acted as a spur to turn out products which can compete internationally, particularly as regards design, packaging, general presentation and servicing. Things are changing, however, as customers are demanding more sophisticated products at home.

Manufacturing capacity is another problem with which Government and industry will have to grapple if they are to achieve their export targets. The official plan for engineering, for instance, is that exports, which totalled Rs.650m (£147m) in 1977-78 (of which only Rs.56m went to the EEC), will increase tenfold over the next decade. If the industry is to achieve anything like this target, it will need a lot of technical help from abroad to fill some of the present gaps.

In certain cases, the Government machine has specifically encouraged expansion projects, although more with the home market in mind than exports. Ashok Leyland, for example, in the midst of an ambitious expansion programme. Official permission has been readily given for the import of foreign technical help.

Most industrialists in India are quick to say that they expect the new Government will inject "discipline" into the trade unions, and that the future will see a return to growth. There are still a lot of impediments in trying to predict the way that India will go. It has always been a difficult country to assess from the industrial point of view, lacking, for example, the aggressive capitalistic ambitions of some of its Asian neighbours. But there is undoubtedly potential, which the Rotterdam conference will seek to highlight for both European and Indian companies.

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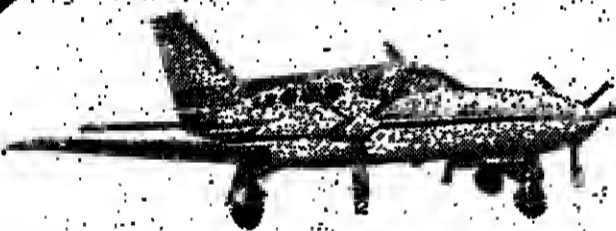
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CENTROBANCA
BANCA CENTRALE DI CREDITO POPOLARE

The annual general meeting of Centrobanca was held at its head office, Corso Europa 20, Milan on April 23rd 1980, under the chairmanship of Cavaliere del Lavoro Gr. Croce Rag. Lino Venini. The shareholders adopted the 1979 accounts, which closed with a net profit of Lire 4,608,662,741 (inclusive Lire 411,413,422 as a net profit of the Agricultural Financing Section), after allocating Lire 16,899,908,296 to the provision for risks, Lire 14,190,000,000 to the provision for taxation and Lire 353,175,924 to the real property and facilities amortisation fund. The company declared a dividend of 7% per Lire 1,000 share, after allocating Lire 2,700,000,000 to the ordinary reserve.

In the course of 1979 Centrobanca accepted loan applications totalling Lire 401.8 bn (+29.5% compared with 1978) and disbursed loans totalling 361.5 bn (+10% compared with 1978). The funds managed as at 31/12/1979 totalled Lire 1,682.6 bn.

After ordinary reserve and risk fund provisions net assets as at 31/12/1979 amount to Lire 82.7 bn (Lire 64.6 bn at the end of 1978); the share capital of Lire 30 bn is entirely held by Co-operative Banks throughout the country. During the extraordinary general meeting the shareholders adopted the following resolutions:

— The capital increase from Lire 30 bn to Lire 50 bn—to be made within 31/7/1980—by the issue of 20 million new shares of Lire 1,000 each, in order to strengthen the company's assets and liabilities according to the results obtained. Thus, the operation effectuated, Centrobanca's net assets will amount to Lire 102.7 bn.

— The issue of a debenture stock up to Lire 60 bn (in two tranches each of Lire 30 bn) for credit operations in favour of agricultural improvement.

— Revision of the articles 17, 17, 24, 34, 35 and 41 of the association in order to better define the respective rules.

The office period of three years being expired, the entire Board of Directors and the Board of Auditors were renewed; the following members have been elected:

Board of Directors: Italo Arrighi, Giancarlo Ballo, Franco Carriglio, Giovanbattista Carli, Corrado Danelli, Gianfranco Del Nero, Angelo Guerra, Mario Irolli, Angelo Mazza, Marcello Melani, Pietro Melazzini, Carlo Pavese, Alberto Pavese, Carlo Pavese, Giorgio Pulini, Giampiero Rizzo, Michele Stacca, Lorenzo Suardi, Lino Venini.

Board of Auditors: Francesco Panillo, President; Pietro Agnoluzzi, Enzo Drandini, Ottavio Fontanelli, Giancarlo Rossi, Permanent Auditors; Franco Gazzola, Umberto Menesatti, Temporary Auditors.

The Board of Directors, who conferred at the end of the meeting, confirmed Cavaliere del Lavoro Lino Venini for President and elected Lorenzo Suardi and Giampiero Rizzo Vice-Presidents.

Marcello Gentile, General Manager, was elected Secretary of the Board of Directors.

SUMMARY OF THE CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 1979
(in million Lire)

ASSETS	LIABILITIES	
Funds and securities	Certificates of deposit	957,957
Loans in being	Bonds	558,640
Other items	Correspondent banks	5,888
	Mediocredito Centrale	28,390
Loan applications	Treasury, Regional	31,903
	Administrations and IRI	16,739
	Other items	1,705,557
	Capital and reserves (*)	90,019
	Net profit	4,808
		1,780,365

(*) 92,727 after allocation of profit

THE ARTS

Cannes Film Festival

Stalker fights jaundice

by NIGEL ANDREWS

Baptised into the 33rd Cannes Film Festival by an inate argument with a taxi-driver who tried to hold my suitcase hostage in a busy street while charging me twice the fare shown on the meter, I began this year's proceedings with a jaundiced eye. The sun-baked hurry-burly of this cine-jamboree by the sea looked more daunting than ever, with hundreds of films lurking in dozens of cinemas and the Cannes sea-front bristling as ever with Filmmakers' processing sellers, buyers, creators and sportsmen. And where were the spiss starters of yesterday...

As if to confirm the doubtful auguries, the opening days passed with much perspiration, such eye-strain and few awards. Italy, Australia, West Germany and the Philippines all infuried their cinematic flags in the Main Competition, but the breeze of inspiration failed to flap them.

Then four-days-in came the early film surprise: Cannes jacked-the-box mystery movie which is unwrapped annually without prior identification and which last year gave us Wajda's *Man of Marble*. And suddenly there was something to push one to the edge of one's seat and spirit one's pen from one's pocket to take anxious and copious notes.

The movie was Andrei Tarkovsky's *Stalker*. It's the Soviet film-maker's fifth and latest feature, and for non-Russian filmgoers used to an average wait of four-to-five years before the greatest Russian director's movies are allowed to cross the Iron Curtain (*Mirror*, made in 1976, has only just reached London), its appearance in Cannes was a little miracle. To compound delight at the quick unveiling, the film itself is a work of incomparable magic and excitement; Tarkovsky's best-ever movie, I believe.

The visual wonder and sleight-of hand of *Mirror* and *Solaris* are here wedded to a story at once simple and fantastic. Tarkovsky gives us a Dante-esque fable of three men journeying through a mysterious "Zone"—a blighted and watery wasteland of dead industrialism, strewn with relics of the past—en route to some obscure journey's end where

their deepest wishes will, we are told, be granted. It's a modernised quest-myth, its trio of characters comprising a writer and a scientist—poles of mysticism and materialism—and their battered guide, who is sometimes called "Stalker," sometimes (invoking Fennimore Cooper's last Mohican) Chingachgook.

With its Tarkovskian shifts between monochrome and colour, its visceral visual beauty and its teasing, opaque philosophy, *Stalker* is a film that sets echoes sounding deep in one's brain and senses. Sometimes its journey through the "Zone" has hints of a political parable: the police patrolling the perimeter, the fields littered with sinister, decaying tanks. At others it swells into a fable of life's journey itself, with its Protan progress through shifting landscapes, now brutal now beautiful, towards hopes and goals that may themselves be delusive.

French subtitles do not aid instant decoding of the film. Tarkovsky is never afraid to ellipses and elide his narrative nor to throw off a jumble of arcane allusions in his dialogue. (Fennimore Cooper is the least of it.) But where some obscure films repel, others fascinate: and Tarkovsky's visual sense is so dazzling that one could happily sit through the movie again as soon as its 160 minutes (no less) have first unwound.

Freely but subtly handling zooms, tracks, pans, Tarkovsky mixes camera movements as a painter mixes colours or a symphony-composer instruments. His shooting often has an almost physical excitement, and no less thrilling are the surreal images caught in the camera's trajectories: a collage of derelict objects—paintings, coins, hypodermics—seen under a flowing stream, a huge swamp quaking like a shaken carpet, two human skeletons clinging together in hony-mooned serenity. *Stalker* is one of the wonders of the modern movie world, and if it doesn't come to London soon, keep writing to British distributors until it does.

Only two other films have stood out from the rack at Cannes so far: Ali Ozgenturk's

Hazol from Turkey and Mark Reichert's *Union City* from America, both shown in the Directors' Fortnight.

The Turkish movie is a gem. Where Tarkovsky uses his camera as a perpetual mobile, Ozgenturk builds up his film with sharp, sudden tableaux: splashes of colour and gesture that paint the story of a quasi-feudal village where a girl attempts to free herself from an arranged marriage to a 10-year-old boy and elope with her lover. Running parallel with this private tale of emancipation is the public social conflict stirred up when a new road is built near the village, threatening to haul its inhabitants lock, stock and prejudice into the 20th century. It's a starkly beautiful film, with its hieratic flow of stiff, iconic images, its rough, resonant soundtrack and its lovely dovetailing of two stories; one writing large, the other small, the themes of liberation and progress.

Union City is one of those movies that would be perfect at an unprogrammable 90 minutes. At 90, its edgy, funny pastiche of a "50s Hollywood melodrama—murder and marital breakdown in Technicolor Manhattan—tends to drift a little. But never mind. Director Reichert obviously breakfasted on Edward Hopper paintings as a small child and the film's look—angular, shiny, garish—is quite stunning. The plot should be kept under wraps for your further enjoyment until you see the film. But suffice it here to say that it might be retitled *The Milkman Always Rings Twice* and that its loopy, lurid ingenuity is not the least of the movie's pleasures.

Early servings in the Main Competition have been lukewarm and underseasoned by comparison. Bruce Beresford's *Breaker Morant*, from Australia, is a court-martial story set in the Boer War; based on a stage play and creaking accordingly. Krzysztof Zanussi's worthy but why-face *Constancy* is an identikit assemblage of all this Polish director's concerns and mannerisms, from the *Jeune sœur* hero scratching his head over the Great Moral Problems of life to the mounting metaphors we met only lately in Zanussi's 1978 Cannes competitor *Spiral*.

Jaquer by the Philippine director Lino Brocka, is an underworld thriller in Manila, stylishly shot but stubbornly cliché-prone in its B-movie tale then-comes-to-a-sticky-end. Last and by all means least, there was Ettore Scola's *La Terrazza*: a star-studded, multi-episode piece of froth in which Marcello Mastroianni, Jean-Louis Trintignant, Ugo Tognazzi, Vittorio Gassman and other such cock an extraordinarily long-winded satirical smooch at Italian intellectual society, taking five minutes longer even than *Stalker* to do so.

But despair not. Week Two in Cannes promises new films, hwy Fellini, Kurosawa, Godard, Borowczyk, Samuel Fuller and others; plus, on the fringes, a bigger-than-ever bevy of new British movies. Keep watching this space.



Bryan Brown and Edward Woodward in 'Breaker Morant'

Playing statues in Leicester Square

by DAVID PIPER

The pastime of statue-spotting is underdeveloped among Londoners. It is however a rewarding exercise, usually free, and less liable to bring on heart failure than jogging, though the beginner needs to be wary of parking meters that so often, in such uncivilised brutality, lurk in mid-pavement breast high, to the peril of those who walk with their heads well up in the air. It is not least rewarding in relation to the blank tedium, the yard upon yard of visual nothing, that many modern developers like their architecture at street level. There is no very comprehensive guide at present, though one is said to be on the way. My own favourites among the old ones are London's *Open-Air Statuary* by Major Gen. Lord Edward Gleichen, author of *With the Camel Corps up the Nile*, etc., and Osbert Sitwell's *People's Album of London Statues*, with splendid drawings by Nina Hammett (and surely deserving re-issue now).

Both are published in the same year, 1928, but otherwise are worlds apart, and the Sitwell is almost an anti-Gleichen, tending to the satirical. Sitwell demanded "adequate police supervision for the 'mob of statues', and the appointment of a Controller of Inanimate Ppoele empowered at least "to segregate, remove and intern." London squares and open spaces to be cleared every five years. Holocausts and mass deportations suggested. In Paris, during the German occupation, there was in fact a mass liquidation of public bronzes (including Shakespeare, who once stood somewhat unexpectedly on his Boulevard Haussmann). London losses in spite of the Blitz have been fairly few, and additions to moh come in fits and starts.

The project has been beset with difficulties only too common with public statues. It is not going where it was first meant to be, at the Elephant and Castle, heart of the home-land of Chaplin's youth. This seems not to have been acceptable to the generous sponsors: Leicester Square was. The bronze is designed to be seen from below, and to sit in this particular solution at ground level would be wrong. To start again would be wrong, too, for again would be a monumental error. It looks as if Charlie Chaplin will go up in Leicester Square, and after a year or so no-one will notice him any more than they notice Henry Irving. Or, for that matter, I suspect, Shakespeare.

A slight statue fit afflicts west London at the moment. The particular project that has prompted my reflections here is the proposed erection of Charlie Chaplin in bronze in Leicester Square. I have to declare an interest as this was referred to the Royal Fine Arts

Commission, of which I am a member. The Commission's view thus far lacks enthusiasm, though it offered no definitive opinion as plans were not to hand for the GLC's revision of the clutter of shoddy, into which the street furniture, set up when the Square was pedestrianised, has decayed. The sitting and context is obviously crucial. The Commission did, however, suggest that the addition of any statue at all to Leicester Square might be a mistake, in relation to the formal garden under the great plane trees, in the middle of which is Shakespeare. Shakespeare is a copy (of 1874) of the Westminster Abbey memorial, very grand, elegiac in his marble, with four "flankers" provided by rather crude huts of former local residents of genius: Newton, Hogarth, Joshua Reynolds, John Hunter. The harmony of this central statue with the rest of what goes on in and around Leicester Square is a hit run, and maybe if Shakespeare was to go, there would be Lebensraum for Chaplin. But Shakespeare is very much, solidly, there and sets the tone, if for no other reason. No doubt the original setting of the Globe on the South Bank was likewise one of fairground favour (and elsewhere Shakespeare indeed presides comfortably in a niche over Carnaby Street), but the Shakespeare we actually have in Leicester Square is of a Palladian grandeur. Chaplin would stand apart from the formal garden area in the south-west corner, but still too near, to my guess, to cohabit congenially with Shakespeare.

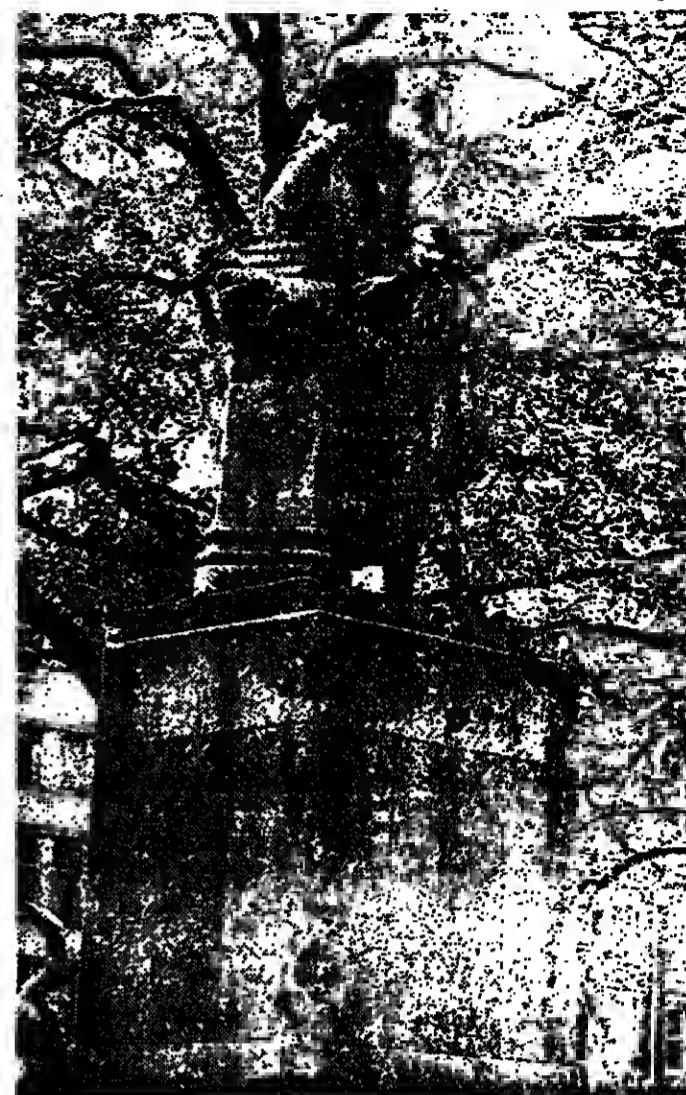
That in theory Leicester Square is a suitable site (apart from its history of objections to Chaplin on political grounds) is undeniable, in the full flux of the capital's entertainment area. Mr. Doubleday's image of Chaplin too has all the attributes of that immortal clown, howler hat, too small jacket, too large trousers; his stance is poised with considerable technical ingenuity on the famous cane, bending perilously. If formally not quite resolved to my eye, this is nevertheless a lively image in contrast to the Edwardian baroque pomposity of Brook's *Henry Irving* 100 yards away at the bottom of Charing Cross Road. But that raises another query. Can you do a satisfactory Charlie in bronze on a monumental scale? Would it not be better, perhaps black and white (that clown's deadpan face), perhaps in fibre glass, as Nicholas Monro did polychrome Morecambe and Wise to provoke such heady outrage in Regent's Park? Above all is it Charlie-Chaplin-on-a-pedestal a valid concept? Should he not be street-level, exuding that paradoxical but characteris-

tic aura of loneliness of the man in a crowd? The statue has been modelled, and cast, a bit over life-size, some 6 ft tall, and is to be set on a plinth a further 6 ft high.

Problems elsewhere include Montgomery, to stand quite a bit larger than life on the grass outside the Ministry of Defence in Whitehall, producing further problems for nearby poor little Walter Raleigh whose relationship to the vast bulk of the Ministry has always verged on the ridiculous. When creating or sustaining a certain metropolitan decorum as is seemly and handsome in key processional areas like Whitehall, or Trafalgar Square (if not Leicester Square), or in show places like Waterloo Place where the high seats of the bronze heroes are dappled by sun through the plane trees, statues can be splendidly effective. But to be so they have to respect their context, in particular each other. The scale and sitting of statues seem to present extraordinary difficulties; it is often impossible to assess accurately without an exercise with a full-scale model, an operation so cumbersome and expensive that it is virtually never adopted.

In Parliament Square the rot set in with Epstein's *Swiss*, strange in colour, almost skating off his pedestal, and so alien to his stately companions that it seems as if Epstein must have wished to cock a snook at the whole neo-classic tradition. Then Churchill, that seemed to promise so well in maquette, proved large and ungainly as an elephant amongst the same peers. The sitting of individual statues and monuments can only to easily end by exposing their subjects to ridicule at worst and visual discomfort or boredom at best, and few sculptors have the universally accepted prestige that enables Henry Moore to advise on his sites so successfully.

Enclaves of mixed statuary in somewhat less formal context can, however, work quite well. I find the Embankment Gardens by the Water Gate very sympathetic; there statues, tulips and the music of military bands all bloom together by a colossal Burns, an almost toy-scale



Shakespeare's statue in Leicester Square

miniature camel ambles agreeably (for that same Camel Corps with whom Gleichen went up the Nile). In the City, behind the Royal Exchange, bald bronze Peabody reclines aloft in his chair, not far from a really delightful fountain figure by Lalou and a sturdily handsome newcomer—*Reverie*, herm-like, a local deity jewelled with a barbaric inscription.

Pending final judgement on Chaplin and Montgomery, we

might sharpen our eyes a bit by looking more at what already exists. And do not omit the minor pleasures—like the Italianate baroque pinto at the wheel of what looks like a 1910 Hispano-Spiza (!?) or that other little putto busy with an early telephone, putting Buzbee to shame with his elegance and one suspects, connecting with more certain ease than we can now, and certainly more cheaply.

Festival Hall

Verdi's Requiem

by ANDREW CLEMENTS

A full house is usually guaranteed for performances of Verdi's Requiem. On Sunday evening perhaps the prospect of being overwhelmed in a hot and stuffy Festival Hall accounted for the empty seats for the concert by the Royal Philharmonic Orchestra. Yet expectation and its contradiction are the very stuff of profound musical experience; the hall's air conditioning excelled itself to produce a comfortable coolness, and Rafael Frühbeck de Burgos contrived a perfectly scaled version of the Requiem, never scarily dramatic, but always poignant and only occasionally failing to maintain momentum. The main focus of interest in this performance was the

Orfeon Donostiarra Chorus of San Sebastian, a group some 130 voices strong, which was making its debut at the Festival Hall. The women's voices are predominantly young, and they have an abundance of freshness and attack; to British ears the sopranos have a blatant vibrato and much of the Latin text in quieter passages must be taken as read. Mr. Frühbeck is heard most often in this country in large-scale choral works (on Thursday next he conducts the Orfeon Donostiarra again, in *Corinna Burana*). His virtues in such pieces as the Verdi Requiem are exactly what a chorus requires—the ability to encourage theatrical effect and to produce a healthy, honest sound.

Soloists in this performance sounded less comfortable. Gordon Grier, a young American tenor from the Dusseldorf Opera, robust and vigorous, must be excused since he had taken over the part at the last minute; Simon Estes was a mellow, sometimes noble sounding bass, but too often conveyed little understanding of the words he was singing. The soprano mezzo were strangely ill-matched. Enriqueta Tarres approached the soprano parts in a devotional mood that did not fit with the surrounding high spirits; Alicia Nafé managed a luscious tone with apparent ease, but her contributions, lacked focus, for all their care and shaping.

Serpentine Gallery

David Smith

by WILLIAM PACKER

National schools do exist, of course, and the circumstantial gloss they supply is of extreme value to critics and historians. But the beating of the national breast in drum is another matter entirely however so tempting; for it must always be quite mistaken, and even dangerous, to impose a simple nationalistic reading upon a nation's art. Especially is this so where the art itself may be important, for it can suffer in direct consequence, from inflated claims and exaggerated modesty alike.

Here we are inclined too readily to discount our native achievements in the visual arts (and to be hurt and surprised when taken at our word): the Americans, on the other hand, such is their need to win, once their art emerged onto the international stage, a generation ago through the critics' machine demanded and achieved an unquestioned ascendancy. But painting is not athletics, and western art needs no Olympiad. The distortions to reputation, the misreadings of real personal achievement, that occurred are only now being put right.

But they are being put right; and one of the most encouraging features of recent American criticism has been the cooler reappraisal visited upon the work of the leading figures in the New York School. And age, during and after the last war. And curiously, ironically, these artists seem not to suffer but to benefit by the process; for in looking at the earlier, formative work that preceded their vaulted, in the American phrase, "breakthrough into style" (so many American artists to become indeed prisoners of style), their true place within the Modern Movement at large is made clearer. They occupy not an hermetic, entrenched position, but rather one that is open and flexible, and above all, international. An unexpected critical reversal indeed has happened for the forties, which we had supposed to be the years of America's creative isolation, seem now in truth to have been the crucial active period, the artist's

time when the fermentation ceased.

David Smith provides us with an excellent demonstration of the point. He was the first, and best, of American sculptors, but by no means the greatest sculptor of the century, and the large Cubi compositions of the early sixties, on which his public reputation mainly rests through the chance of public acquisition, now seem ponderously self-important. The splendid exhibition of his drawings that now fills the Serpentine Gallery (until June 8), enhanced as it is for the occasion by a small but extremely fine group of earlier sculptures, is, therefore, the happiest of correctives.

We discover an artist steeped in Socialism, as indeed were so many of his most distinguished contemporaries: Rothko, for example, Pollock, Gorky—we have come to associate Abstract Expressionism with the New York School, but Abstract Surrealism would be as useful a term. The influences are as clear as they are unaffected: Picasso first, and then Giacometti, Gonzalez, Moore. Until the early fifties, the drawings remain, while not always specifically directed towards sculpture, at least sculptural in their possibilities, and these are the most accomplished and the most interesting of them. Later they become more generalised, flatter, more painterly in the pre-occupation with the surface, in a sense more academic. And the sculpture itself, indeed up to his death in 1965, remains true to that earlier work, the imagery visceral, sexual, totemic, not necessarily figurative directly, but fraught with human association.

The welded steel assemblages, bits and pieces of farm machinery and equipment composed into the most handsome and authoritative of personal trophies, arcane tribal deities, are especially fine. The Serpentine Gallery has seldom looked so well, nor held so interesting and beautiful an exhibition. The only shame is that modern conservation orthodox imposed by the Whitney whose drawings these now are, has reduced the natural light which is one of the gallery's chief glories.

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Notice to Holders of the 4 1/4% USS Convertible Bonds 1978/93 of BBC Brown Boveri Finance (Curaçao) N.V.

The Board of BBC Brown, Boveri & Company, Limited, Baden, Switzerland, will propose to the Annual General Meeting to be convened on June 10, 1980 to increase its share and participation certificate capital. The new shares and participation certificates will be offered to shareholders and bearers of participation certificates in a ratio of one new to ten old at Sfr. 750 per bearer share series A (par value Sfr. 500) and Sfr. 150 per registered share series B and per bearer participation certificate (par value Sfr. 100). The new shares and bearer participation certificates shall be entitled to the dividend as of January 1, 1980.

Also to be proposed to the Annual General Meeting is a further share capital increase of Sfr. 30 million without subscription rights. The new bearer and registered shares would be reserved for a convertible bond issue to be issued later.

The Board is also to be given authorization to issue further bearer participation certificates of Sfr. 70 million par value and to exclude the subscription right of shareholders and bearers of participation certificates.

Provided the capital increase is carried out as proposed, the rate of conversion of the 4 1/4% USS Convertible Bonds 1978/93 of BBC Brown Boveri Finance (Curaçao) N.V. will be adjusted with effect as of June 16, 1980. The new rate of conversion will be published after the Annual General Meeting of Shareholders has taken place.

The holders of the 4 1/4% USS Convertible Bonds 1978/93 of BBC Brown Boveri Finance (Curaçao) N.V. wishing to exercise their subscription rights are invited to exchange their Bonds for bearer participation certificates of the BBC Brown, Boveri & Company, Limited,

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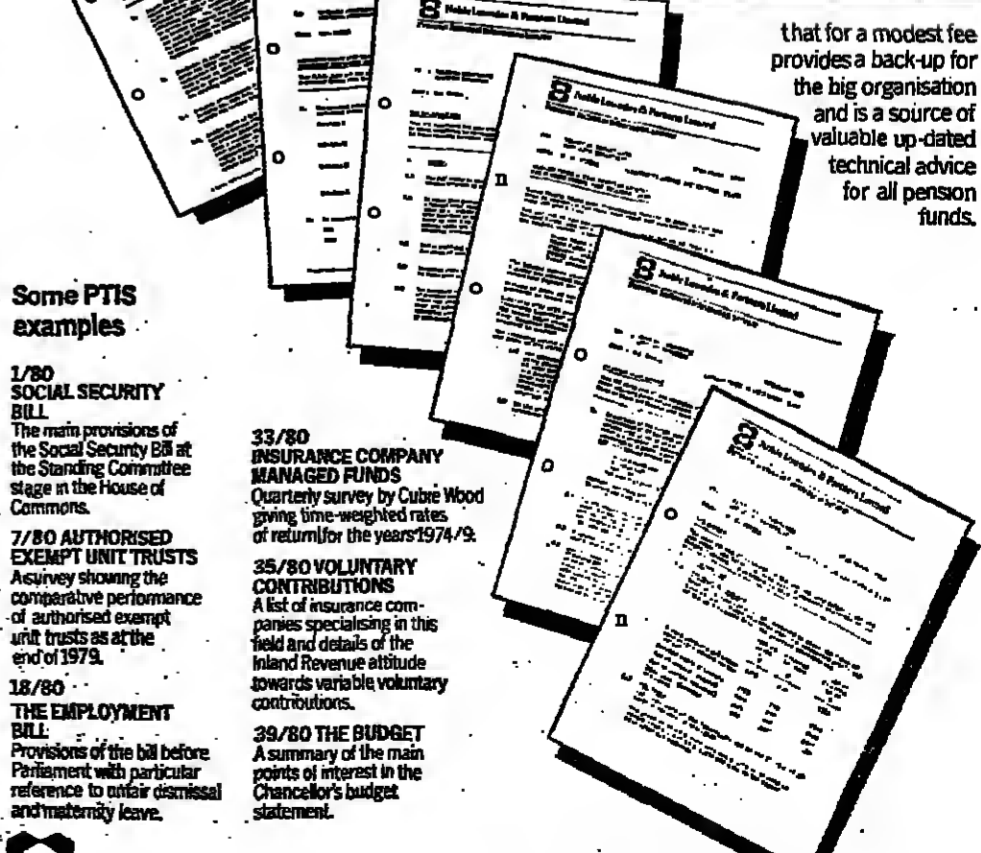
No Convertible Bonds will be exchanged for bearer participation certificates during the period from June 3, 1980 to and including June 13, 1980.

Convertible Bonds not surrendered for the exchange by June 2, 1980 do not entitle the holder to subscribe to new bearer participation certificates.

Willemstad (Curaçao), May 19, 1980

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Tuesday May 20 1980

Transatlantic differences

IN THE LAST few months, Washington has asked its West European allies to stand up and be counted on a series of issues ranging from Cruise missiles to economic sanctions against Iran (not to mention the Olympic Games). Whatever their other consequences, events in Iran and Afghanistan have tested the transatlantic relationship. The Europeans, and particularly the EEC countries, have had to decide whether, in some cases against their better judgement, to support the U.S. in the interests of "solidarity" or to put what they see as their own interests first and follow an independent line.

Cut reaction

It has not been easy for the Europeans. In the first place, they are far from united among themselves. The Community countries are deeply divided, not only over internal problems—namely the British budget contribution—but also in their instinctive attitudes to international issues. At one end of the spectrum is Britain, whose cut reaction tells it to rally to Washington, at the other France whose instinct is to do exactly the opposite. In the middle is a West Germany that is pulled in both directions.

In the second place, it is clear that in many areas American and European interests are becoming increasingly divergent. The Europeans lack the global military power of the Americans, but are more economically dependent, on sources of supply and markets, beyond their borders. They share common land frontiers with a Warsaw Pact that is constantly strengthening its forces. And they believe that detente has brought important gains in economic, commercial and humanitarian terms, a belief that is particularly strong in Bonn. Against all this, there is a widespread recognition that responsibility for the ultimate defence of Western Europe still rests with Washington and that increased American isolationism would be dangerous.

In the last week, the Europeans seem to have been developing an à la carte policy towards U.S. requests for help. NATO (though minus France) has fully answered America's call for a military strengthening of the Alliance. In Naples, Community Foreign Ministers went some but not all of the

way to meet Washington's request for European sanctions against Iran. But on the Middle East, the Europeans appear to be going ahead with their own Palestinian initiative despite American pressure to drop it.

On the face of it, President Giscard d'Estaing's acceptance of the invitation to meet President Brezhnev in Warsaw, without prior consultations with his allies, would seem to be a blow to this careful process of European policy formation. But it may not have done too much harm. The meeting is totally consistent with past French insistence that communication must be maintained between East and West. The Americans had in any case already started the thaw with the Muskie-Gromyko meeting in Vienna and Chancellor Schmidt has confirmed plans to visit Moscow in the near future. It would be a pity to miss a chance of solving the Afghanistan problem by negotiation if one, however remotely, exists. The danger will be if Mr. Giscard d'Estaing has given Mr. Brezhnev the impression that the Western Alliance can be loosened by Soviet blandishments or pressures.

The Western Alliance is not the Warsaw Pact. The Europeans should not be obliged to jump to attention at every crack of the American whip. That would be out of keeping with the sort of world the Allies are meant to be defending. They have their own legitimate interests to pursue and they also have every right to take foreign policy initiatives.

One voice

But Europe's role will be more convincing if it can speak with one voice. And transatlantic differences will cause fewer strains in the Alliance if Europeans show some awareness of the part that the U.S. still plays in their ultimate defence—and of the threat to their own interests posed by both Afghanistan and Iran. In the final analysis, the overriding Western European interest must be the preservation of Western democracy. That does not necessarily imply a monolithic Alliance. There is room for honest differences of view, alongside the sort of division of labour in the economic and military fields that the Allies have been groping towards in the last few months.

Public sector pay challenge

A responsible and realistic policy on pay in the public sector has been a most important missing link in the Government's economic strategy. Having been alighted on a ride of revision against formal incomes policies and having seen the two previous administrations brought down after confrontations with public sector unions, Ministers began their tenure of office by trying to disown the problems of pay in the public sector. But after a year of accelerating inflation, fuelled partly by public sector pay increases, Ministers can now see their heads in the sand no longer.

Cash limits

We have warned before that the much-maligned competition commissions and even the reliance on rigid cash limits to influence pay bargaining were in effect devices for shifting the burden of responsibility away from the Government and onto other, weaker shoulders. As consumers and local ratepayers, rather than indirectly, as taxpayers to central government, of present measures has become apparent at a time when the Government's self-confidence is still high, inflation is reaching its peak and monetary control is becoming firmly established. It should therefore be possible for Ministers to formulate, over the summer, a coherent approach to public sector pay which avoids the political and economic pitfalls which make full-blown incomes policies damned and ultimately futile.

The most serious of these pitfalls is a rigidity which seeks to overwhelm, rather than to encourage, the operation of market forces. The other great danger is the political illusion that "fair play" requires that a public sector pay policy must ultimately be extended to the private sector. In the marketed sector the objective should be to build upon the understanding of

competitive pressures which began to emerge at British Steel, B.L. and British Shipbuilders in the last pay round. Rather than sacking particular percentage wage increases, the emphasis should continue to be on restraining total labour costs through genuine productivity bargaining.

This restraint, however, may have to be imposed not through the indirect means of cash limits, which have proved largely ineffective, but through some form of direct scrutiny, perhaps through the newly-strengthened Monopolies Commission, of efficiency and pricing.

In the non-market sector, productivity bargaining and the control of aggregate wage bills, rather than wage rates, are less appropriate. At the moment, measures of public service output simply do not exist to enable negotiators to "trade off" jobs against wages. Productivity improvements in the non-marketed public services all too often mean reductions in functions valued by the public.

Productivity

In these areas cuts should be made not in response to high pay increases, but in order to prune specific programmes which are inefficient or undesirable. The Government should act urgently to refine the measurement of civil service productivity. But waste in government should be cut for its own sake, as far as possible, independently of bargaining.

For the "pure" public servants, Ministers will have to formulate in their own minds figures for pay increases at which they aim to settle. There is no reason to seek identical settlements for all groups of workers: policemen are in short supply, for example, at current pay levels, but the Government has no difficulty in recruiting new whistling teachers or administrative civil servants. Furthermore, the Government has no obligation to announce its pay targets publicly, any more than would a private employer. It must, however, show a real determination to achieve them. And it should start explaining to public servants as soon as possible, that they cannot remain immune from the modest fall in real living standards which many workers in manufacturing industry have already suffered.

THE EEC and the U.S. are faced with perhaps the biggest threat for some years to their trading relationship as a result of the continuing row about the Community's restraints on American exports of certain fibre products to the U.K.

In the past few days the U.S. has let it be known it is considering retaliation against the EEC curbs which were introduced in the wake of a build up of U.S. exports to the British market of polyester filament and nylon carpet yarn.

Until now American efforts have concentrated on seeking reduced tariffs on a range of other U.S. textile items exported to Europe, with the intention of replacing the trade that has been lost. U.S. requests, made earlier this year and covering 10-15 different products, were aimed at recuperating an estimated \$55m of trade lost because of the EEC's restraint. These were rejected as excessive by the EEC Commission and further negotiations have failed to resolve the issue.

The retaliatory moves being considered by the U.S. involve curbs on up to 30 European export items, not all of them textiles. They could put at risk some of the gains made in the GATT multilateral trade negotiations (the Tokyo Round) last year. High on the list of targets put before public hearings in Washington last month were wool yarn, fabrics, and apparel, products on which the U.S. agreed only last year to make some small reductions in its very high tariff rates.

Strong support for retaliation in this area has come from a number of U.S. trade associations invited to present their views at the hearings. They

Protectionism is never far below the surface of thinking in the U.S. textile industry

included the Man-Made Fibre Producers' Association, the Northern Textile Association, and the International Ladies Garment Workers' Union.

Other items on the list of targets, which initially may apply only to the U.K. include, as might be expected, man-made fibres, as well as other more surprising products such as ceramic tiles and cabinet knobs.

In Europe, where pressure from low-cost U.S. exports of man-made fibres has continued to grow this year, there is now the prospect of further curbs

being introduced on a wider range of fibre products and across a broader front. Anti-dumping duties amounting to 15 per cent on average have already been imposed on certain U.S. acrylic fibres entering the EEC, and the Commission is investigating dumping complaints that could lead to similar action in the case of polyester filament—the product at the centre of the current dispute.

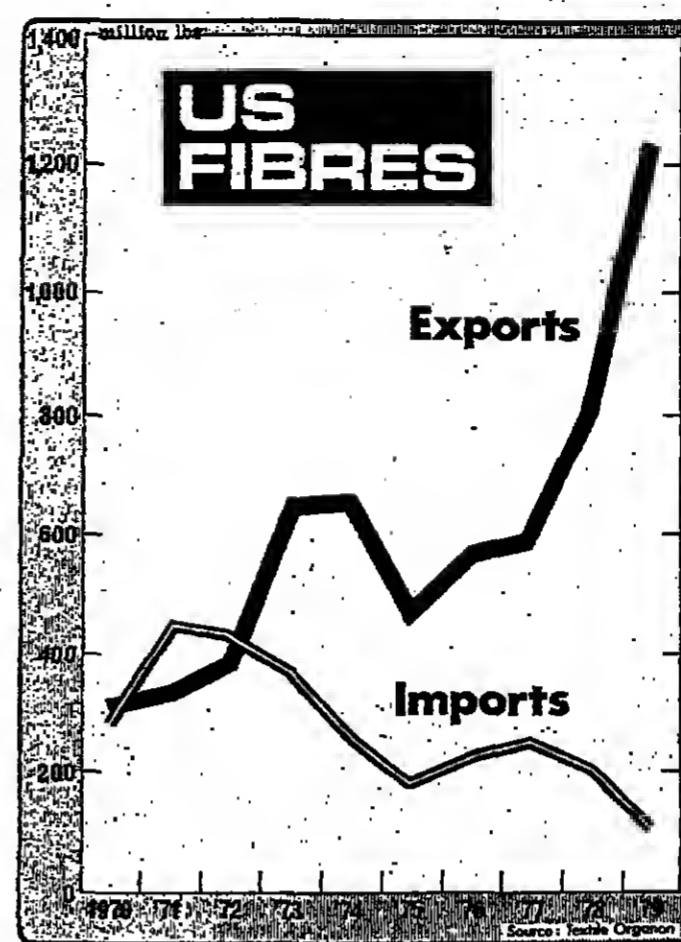
A strong U.S. reaction had been expected all along by the EEC. This was the main reason for its reluctance for almost a year to accept UK demands for curbs. Nevertheless the vehemence with which U.S. authorities are evidently prepared to press their case has come as a surprise, and further talks between the two sides, embracing a number of delicate trade areas including steel, are likely in a bid to avoid a protectionist war.

The U.S. reaction is in large measure the result of a new approach towards exporting by a number of American industries, including textiles, and a belief that these efforts cannot be allowed to stumble before they start. Protectionism is never far below the surface of thinking in the U.S. textile industry. In order to secure the agreement of the industry last year to the inclusion of textile tariff cuts in the Tokyo Round, President Carter was obliged to draw up a special textile aid programme which included an Administration commitment to help develop exports.

In an election year it is important for the Carter Administration to act tough in support of the textile sector. The industry, together with apparel, employs 2m people and includes in its ranks many blacks and women (far more than other American manufacturing sectors).

Domestic political considerations apart, U.S. officials also complain that the EEC's action is the first time since trading block has placed restraints (other than tariffs) on the other's textile and garment exports in recent years and thus sets an unhealthy precedent. "1979 was the first year in the past 10 years that we have had a surplus in our trade in textiles with the EEC. As soon as we started to export, we found we had to export a restriction slapped on us," one senior Administration official pointed out.

The U.S. is also annoyed at what is seen as the selective impact of the EEC curbs. "The EEC/UK action exempts other EEC countries, members of EFTA, and all other countries with which the EEC has bilateral textile agreements. As a matter of practice this leaves the U.S. and Canada as virtually the only victims of the action," Mr. Charles Jones, president of the U.S. Man-Made Fibre Producers Association claims. The industry argues that GATT's Article XIX under which the curbs have been imposed requires measures to be applied



to every country enjoying most favoured nation status.

The main contention between the EEC fibre producers and their U.S. counterparts, however, is about why the Americans have had such success in exports to Europe during the past two years. The case of Britain's producers, supported by the European trade association, CTRFS, is that American competitiveness is mainly due to controls on the price of domestically-produced oil and gas, giving the industry a significant raw material cost advantage—and, as world oil prices have risen, this advantage, it is claimed, has increased.

The mathematics of this advantage are highly complicated given that the U.S. is only partially supplied by domestic oil (just under 60 per cent of total requirements), that U.S. oil itself varies in price depending on when and where it is found, and that U.S. man-made fibre producers use somewhat different feedstocks for raw materials from European producers (including large quantities of cheap natural gas liquids). A further complication is that until 1973 the petrochemicals used for fibre production were in surplus in the U.S. and were being exported to Europe, which helped to keep down the price of European raw materials too. Since 1973 legislation restricting the lead content of petrol for cars in the U.S. has created a new market for the surplus petrochemicals used in fibre production and has choked off exports.

Cuts in crude oil supplies from Iran have also reduced the amount of surplus petrochemicals available from the U.S.

When all the various factors are taken into account, however, the advantage enjoyed by U.S. producers in oil costs is estimated to have increased from about \$2 a barrel or \$15 a tonne in mid-1978 to more than \$7.5 a barrel earlier this year. Though U.S. prices were due to reach world levels by 1981, the Carter Administration's de-control programme has already been delayed and is unlikely to meet this target. De-control of natural gas prices where the U.S. prices to industrial users are roughly half UK levels will not be achieved until 1985 at the earliest.

There are other more legitimate advantages derived by U.S. producers from the scale of their operations, the size of their domestic market, and high capacity utilisation. According to Mr. Allan Dragone, chairman

of the U.S. Fibre Producers' Association, the average U.S. polyester plant has a capacity more than double its European counterpart, while average output per employee in the American industry is far higher than in EEC countries. In nylon carpet yarn three U.S. companies account for 80 per cent of capacity, while in polyester filament the three top producers have 73 per cent of the available plant. A further advantage enjoyed by the U.S. during the past year has been the low value of the dollar in relation to European currencies.

Oil price controls and these other advantages are thought by European producers to contribute in roughly equal proportions to the competitive advantages enjoyed by the U.S. industry. The advantages stemming purely from the cheaper oil and gas prices—which would disappear if U.S. prices rose to world levels—was put earlier this year by the UK industry at 15-20 per cent. Helped by this U.S. producers have captured more than a quarter of the UK market in polyester filament and nylon, and just as seriously according to the UK industry, have depressed prices. Taken together the loss of volume and revenue last year is claimed by British fibre producers to be in the region of \$50m. Total U.S. fibre exports to the EEC including Britain doubled last year and world-wide U.S. exports were up by nearly a half.

The size of the U.S. cost advantage and of the feedstock component has been one of the areas of disagreement between the two sides; the U.S. fibre producers claim in any case that any gains are likely to be transient, and should be accepted in much the same way as the U.S. industry tolerated high levels of fibre import from Europe in the early 1970s. The uncomfortable fact for European producers, however, is that conditions in the domestic American market make it likely that for the short-term at any rate the incentive will be there for producers to step up their export effort.

Polyester filament, the fibre causing most of the problems in Europe, remains in weak demand in the U.S. and Du Pont, the biggest U.S. fibre producer, looks to be one of the very few making any money in it at present. Poor demand for

its polyester filament was one of the main reasons for a \$20m loss reported in the first quarter by Monsanto, the second biggest U.S. fibre producer, in its textile operations.

Conditions are also deteriorating in the carpet industry where U.S. credit restrictions have brought a boom, stretching back several years, to a halt. This is likely to result in surplus carpet yarn being available for export. The decline in sales of U.S. cars is also affecting the fibre industry which supplies industrial yarns for tyres, seat belts, and upholstery.

In the longer term some of the current advantages enjoyed by the U.S. fibre industry could disappear, particularly if progress is made towards decontrol of U.S. energy prices. U.S. producers, because they had relatively little new plant due to the 1974 oil crisis, did not suffer the same crisis of overcapacity in the 1970s as their European counterparts, many of which have been building new plant to cater for exports.

Providing the present recession is not too deep a tightening in the U.S. supply-demand balance by 1982 is forecast by

The U.S. advantage in oil costs rose from about \$2 in 1978 to \$7.5 a barrel this year

many fibre analysts in the U.S. and this could reduce the quantities of fibre available for export and help the U.S. industry achieve higher prices.

The hostile reaction to exports may also have discouraged U.S. producers from building plants with export to Europe in mind. Traditionally U.S. producers have tended to export to the Far East and to look after Europe from plants in Britain or on the Continent.

The danger of the present row as seen in the U.S. is the effect it could have on relations between the world's two most important textile trading blocks in the run-up to negotiations for the next round of the GATT Multi-Fibre Arrangement. The U.S. industry is particularly anxious to make common cause with Europe in the belief that in this way it will be easier to secure a tough deal in the next agreement which would enable some redistribution of imports from the more advanced developing countries such as Hong Kong and South Korea to newer and poorer suppliers.

In the charged atmosphere which has resulted from the fibre row there would seem to be a danger that far from working together the two sides could begin to extend to each other the sort of restrictions now employed in trade with developing countries.

MEN AND MATTERS

Finding a clue in the alphabet

The Austrians are somewhat embarrassed as well they might be, by the 140,741 of their number who voted on Sunday for a self-avowed neo-Nazi, Dr. Norbert Burger (all Austrians are doctors). Dr. Burger advocates liberal use of the death penalty, and a predictable package tied with a ribbon marked "German Austria".

The relative success of this candidate has ignited the much-outed image of Austria as a peaceful modern democracy in perfect working order. More immediately, it has overshadowed the impressive victory of the incumbent federal president, Rudolf Kirchschläger.

Austrians take comfort from the results registered in an old people's home on the Danube. Of 28 inhabitants, 11 voted for Burger. It is said, "because his name came first on the alphabetical list." "The frightening conclusion remains," commented one newspaper, "that 3 per cent of our people are not yet mature enough for democracy," which is approximately the sentiment of Chancellor Bruno Kreisky.



"Let me through I'm a doctor!"

Shying off

In post-Franco Spain just about everyone has sampled the delights of what is quality known in Britain as industrial action. Not wishing to be left out, actors, first division footballers, and, in Barcelona's Chinatown, the world's oldest profession, have all been on strike. Everyone has been doing it, except bullfighters.

Yesterday Spain held its breath for what looked like being a first-ever industrial walk-out from the aprons, which threatened to deprive six beautiful thoroughbreds from the Domecq ranch, awaiting death in the afternoon.

The strike had been on right up to the initial claret call that gets the corrida underway. Organised by the Communist Workers' Commissions Union, the pleaders (the lancers) and the banderilleros (the men who place the darts on the bull) were prepared to walk out to press for inclusion in the state social security scheme. It would have wrecked one of the top fights in the Madrid Feria, the highlight of the bullfighting season.

But the showmen, who men carried the day and the militants have now compromised by agreeing to a postponed day

300 years on

The celebrations at Leeds Castle in Kent tomorrow mark an extraordinary reconnection with early American history, a link being re-forged by the American Governor of Virginia, Chuck Robb, and his wife Lynda Bird, daughter of the late President Lyndon Johnson. Lynda Bird is described by admirers as a typical example of the New Woman in the U.S. in keeping with this new connection. Lynda Bird is a politician, not a chairwoman, nor yet chairperson, but simply Chair of the Presidents Committee for Women. Husband Chuck, meanwhile, is seen as a potential Democratic candidate in one or two elections' time. But I digress.

The couple will be formally naming a garden after Lord Culpeper and opening an exhibition about him. The occasion: the tercentenary of the arrival in Jamestown of Lord Culpeper, owner of Leeds Castle and Lord Proprietor of the Northern Neck of Virginia.

It is through this last title that the longstanding American connection comes in. After remaining loyal to Charles I when he ran into trouble, and spiriting out of England the future Charles II, Lord Culpeper (who was Charles I's Chancellor of the Exchequer) was rewarded for his efforts with 5,200,000 acres of Virginia. This is rather more than the estate agent's eye view of the Home Counties of England. If this feudal fief in the New World still existed, Culpeper's heirs would now own about half Greater Washington.

Indeed the gift of such a large chunk of Virginia by the King of England caused certain ructions at the time, all resolved in a surprisingly peaceful way. George Washington's first job was in the employ

Antiquer than thou

Nasty accusations are flying about the fine art dealers world in advance of the autumn season of fairs. The Chelsea Antiques Fair is still firmly turning its nose up at any item younger than 1830, and pronounces itself aghast at the refusal of the Grosvenor Antiques Fair (which this year is amalgamating with the Burlington House Fine Art Fair) to impose any limit on modernity.

"They are debasing the term 'antique' which is already in danger of becoming synonymous with 'old,'" sniffs Mrs. Josephine Grahama-Belling, Chelsea's organiser. George Levy, chairman of the Burlington executive committee, is unrepentant.

"Art is ageless," he declares. "A Rembrandt (excluded from Chelsea on the grounds of youthfulness) is as attractive as a Rembrandt."

The argument clearly reflects the high principles of the leading fine art dealers in London. It can surely have nothing to do with the fact that Chelsea's organisers are boiling with rage because Burlington has chosen the same date, September 9, to open its fair this year.

Alibi required

My West London neighbour dines out on the story of the middle aged criminal whose marital problems make others look like bliss. The old lag successfully broke out of Wormwood Scrubs and finally made it back to his home in Shepherd's Bush at two o'clock in the morning. "They said on the radio you escaped seven hours ago," his wife said. "It's only three miles away. Where the hell have you been?"

Observer



"I haven't been so happy for years."

For many elderly people, going into a "Home" seems like the end of the world.

Nevertheless, our headline is a typical quotation from one of our residents' letters.

The Distressed Gentlefolk's Aid Association runs a particular type of Home for a particular type of person. Not just what is implied by the "Gentlefolk" in our title but anyone, man or woman, who will "fit-in" with our other residents.

We have 13 Homes in all. Some Residential, some full Nursing Homes. Anyone who needs a Home but who lacks the necessary financial resources can apply to the DGAA for help.

Places are short, because money is short. Your donation is urgently required. And please, do remember the DGAA when making out your Will.

DISTRESSED GENTLEFOLK'S AID ASSOCIATION

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"Help them grow old with dignity"

FINANCIAL TIMES SURVEY

Tuesday May 20 1980

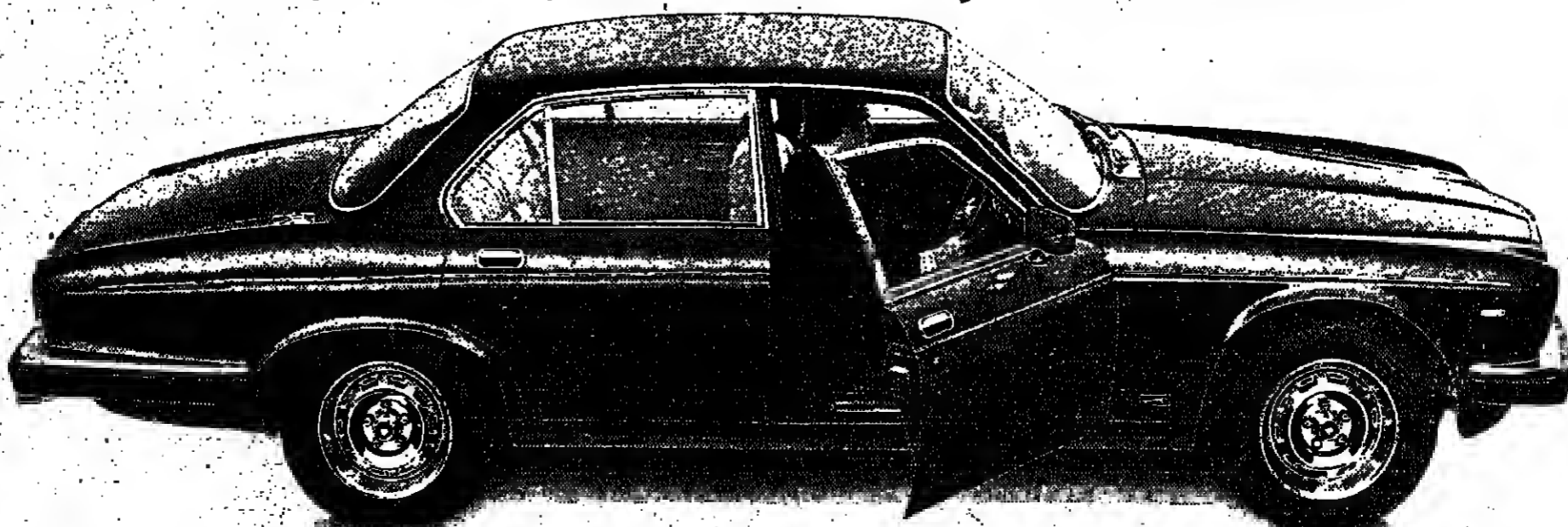
Executive Cars

Despite the difficulties faced by the motor industry in general, the market for executive cars in Britain remains reasonably stable, because the company car is so important. Around 70 per cent. of all new cars which took to the roads in Britain last year were bought with corporate cash.

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DECISION
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Find yourself a quiet place to make your next decision.



Gone are the days when a car was chosen merely as a symbol of status. A car for the executive businessman today has to earn its keep.

A car that delivers you to your destination unruffled and untired.

A car that will preserve your sanity, your temper and your energies.

In a Jaguar these abilities are not the result of limousine thinking. They're indivisible from the benefits of being a driver's car.

The smoothness shared only by Lamborghini and Ferrari, of the unbeatable V12 engine configuration.

The colossal performance which enables you, should you so wish, to quietly sprint to a hundred miles an hour and back to rest again in around twenty five seconds, or calmly amble along at the legal limit on less than half throttle.

The prodigious capability of the suspension geometry. The stopping power of the ventilated disc brakes, which was unsurpassed in Motor magazine's recent review of competitive braking from speed abilities.

Yet it is because of all this attention to driving needs rather than despite it, that this Jaguar is, above all, engineered to be the world's quietest car.* So reflect on this:

It will never occur to the short-sighted that owning a Jaguar XJ12 could be a positive aid to business.

But if you think about it, in today's frenetic environment, perhaps there's never been a better time.

JAGUAR XJ12

It's a good time to go for the best.

EXECUTIVE CARS II

UK market now worth over £1.5bn a year

SALES OF executive cars in Britain last year totalled around 220,000. That represented, taking a conservative estimate of average prices, £1.5bn. It was also business with a higher profit margin than the motor industry is usually willing to accept.

The majority of executive cars are delivered with lots of "extras" added. And these extras often carry the kind of profit margins usually found only on luxury goods.

So it is not surprising that the manufacturers and retailers work hard to win a share of the available business. And in Britain the executive car market has remained reasonably stable.

We all have our own ideas of what constitutes a vehicle to be called an "executive" car. But many of the companies in the trade use the following description. Executive cars have engines of between 2 and 3.5 litres. They are 14 to 15ft long, but it does not matter if they come in a two-box (hatchback) or three-box (with a boot) shape.

In the UK, prices start at around £5,000 at the bottom end and reach £12,000 at the top — then the luxury car market segment begins, a segment which accounts for about 2 per cent of total sales.

The share of the total market

in Britain taken by executive cars has been climbing steadily since 1976. In that year it accounted for 10.2 per cent. In 1977, it rose to 11.3 per cent. In 1978 to 12.5 per cent. And last year, when the growth eased off, to 12.8 per cent.

Variations

These percentages ignore the Corollas with larger—2 litre and 2.3 litre engines mainly because Ford's rivals cannot get a clear picture of which of these Corollas are "work" cars, used for example by salesmen who cover lots of territory in a year and require a powerful engine, and those which are true "executive" conveyances.

The larger-engined Corollas alone account on average for 4.5 per cent of the total new car market in Britain.

The bigger-than-usual jump in sales between 1977 and 1978 can be traced to the extra activity in the retail trade following the introduction of the 2.3 litre and 2.5 litre Rovers and the launch by Vauxhall of the Carlton and Royale saloons that year.

And 1976 was a poor year for the executive car segment because of BL's problems following the launch of the new Rover (at first with a 3.5 litre engine). Rover had previously accounted for about one-third of

the executive car segment and the fact that the marque virtually disappeared from the showroom naturally resulted in the total market shrinking.

Customers apparently are willing to wait for the executive car they want—at least for six months. But if the waiting list is nine months long you will probably lose them. Customers were willing to wait for the new Rover after it was formally launched "car of the year" in 1978.

Ford's influence in the UK car market is very important and some of the extra steam in the executive car sector can be accounted for by the way the Granada picked up sales. In 1976 only 24,000 new Granadas were registered. By last year, this had risen to 45,500—an 89.5 per cent leap in only three years. The record is more impressive if estate car versions are counted. Some 6,500 Granada estates were sold last year in Britain.

The executive car sector got away to a poor start this year and again the Granada was a big factor. In the first quarter registrations were 13 per cent down on the same period a year before. (Even counting the larger-engined Corollas, the drop was 5 per cent.)

During the three months, Granada registrations were 46 per cent below those for the

same period of 1979. Some of this fall reflected the fact that the January-March months last year were very good ones for Ford. At the time, it was going all-out to make up for lost sales caused by the nine-week strike in the autumn of 1978.

Then, this year, too, Ford has been particularly affected by a change in the attitude of the car rental companies. They have eased off on purchases of bigger-engined cars so far this year. Customers (who mainly pay for their own petrol, even if it is reclaimable from their own company) have been less inclined to specify them in recent months.

Changing demand

An added factor is that there have been fewer U.S. tourists in Britain because of the high cost of the 2 compared with the 3. And even those Americans who have turned up have become more aware of the need for fuel economy and are asking for smaller-engined cars when they go to hire companies.

All this has been bad news for the Granada, the hire companies' favourite big car.

What does the rest of the year hold for the executive car sector?

Mr. Michael Taylor, marketing director of Volvo, Concessionaires, says: "We see no

dramatic change. We expect the executive segment to represent about 12.5 per cent of total UK new car sales this year—13 per cent at the most."

That estimate, of course, excludes the 2 and 2.3 litre Corollas.

However, it does suggest some fall in volume even though the executive type vehicles are expected to keep their share of the market.

Registrations of new cars of all types reached a record 1.71m in Britain last year. This year the forecast by the Society of Motor Manufacturers and Traders (SMMT) is for a decline to around 1.5m, representing a fall of more than 12 per cent. Many of the companies which are members of the SMMT and contribute to the data from which the forecast is produced are not quite so pessimistic. They expect a 10 per cent fall from last year's peak sales. And a 10 per cent drop would mean 22,000 fewer executive cars registered, worth at least £1.5m.

The trade can be confident that the decline in executive car sales will not be greater than that of the market in general, because the company car is so important in the UK new car market.

About seven out of ten new cars registered are bought as "company cars," using the widest definition to include all

those cars bought with corporate or partnership cash.

And companies learned some painful lessons during the post-oil-crisis recession in 1973-74. They found it was often more expensive to hang on to a car for an extra year than to continue their usual trade-in policy.

Many company car fleet operators change their vehicles on a time or mileage basis—for example, after two years or after 22,000 miles.

There are indications that the current rate of inflation makes even this a expensive policy. Benson Knight and Co., which specialises in fleet management consultancy work, reckons that the best time to change a car is after one year only.

This is because inflation is causing new car prices and service maintenance costs to rise faster than any savings to be gained by holding on to the vehicle.

Although this might be good advice, a growing number of companies this year are once again running into liquidity problems as they are squeezed by high interest rates, large pay awards and slackening demand.

This has a number of effects on the executive car market: firstly, companies might not have the cash available to buy all the new cars they would

normally purchase; secondly, the ranks of the unemployed executives are growing and, thirdly, the pressure to add new names to the list of those people entitled to a company car is lessening.

Another immediate problem for those corporations wishing to continue with a car replacement policy whatever the economic climate might be is that the second-hand car market is in some disarray and reasonable trade-in prices difficult to achieve.

Depreciation

There always has been a hefty depreciation on executive cars. Of course, after all, a higher than average 80 per cent of them are bought with "corporate pounds," which cost only 50p, after allowing for the saving in corporation tax not paid, while nearly all are bought second-hand by private individuals who pay with "net pounds," which cost at least £1.30 because of the income-tax burden.

But currently the position has been worsened because executive cars are being sold at well under list price—a £2,000 reduction on an £8,000 list price is not uncommon—and this is naturally reflected in the second-hand market.

The other disturbing influence is the number of leased cars which have been finding their way to market since last autumn.

The main cause was the relaxation of the control of hiring order in June, 1977, which was followed by the boom in vehicle leasing, most of the cars being contracted out on two or three year terms.

While these did not constitute "extra" cars for the market, they absorbed some of the main key replacement cars which companies would have bought with their own cash, they have been causing some concern in the trade.

Whereas ex-company cars would have been sold in waves and threes by individual companies over a wide geographic area making it fairly simple for the trade to absorb them, the leased cars have been offered in larger "parcels" through few outlets. In many cases, they were being sold by people who had plenty of financial expertise, but little experience or no of selling off used vehicles.

All this means that for anyone buying his first executive car the timing could hardly be better. Waiting lists for the most desirable cars have virtually disappeared and discounting is rampant.

Kenneth Gooding

CHOICE IN THE UK MARKET

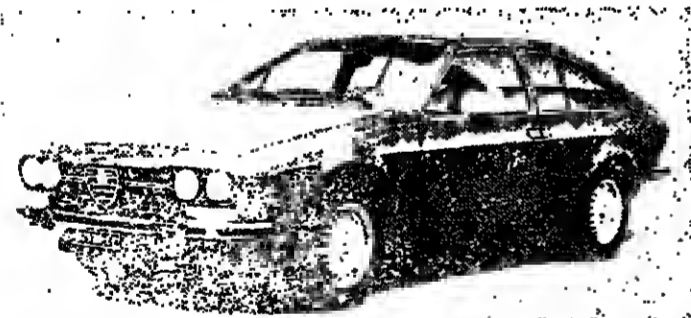
On the following pages are illustrated most of the executive cars available on the UK market. Our definition of an "executive" car is one with an engine of 2 to 3.5 litres and costing no more than £12,000.



Next month, Alfa Romeo is to launch the Alfa 6 in Britain. It is a four-door, five-seater saloon, with a six-cylinder engine of 2.5 litres. The price of about £12,000 will include automatic gearbox, electric windows and air-conditioning among other features, so the car will straddle the "executive" and "luxury" sectors.



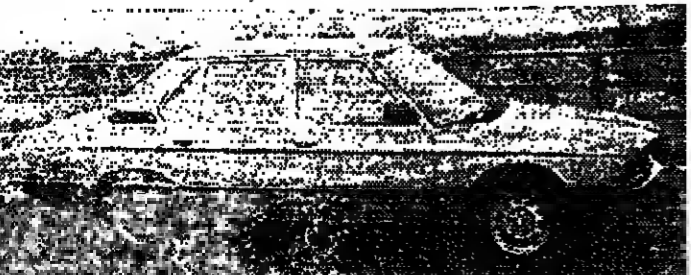
Alfa Romeo 2000. Introduced to the UK two years ago. Current price about £6,000. It has a 1962cc engine and fuel consumption at a constant 56mpg is 40.9 mpg.



Alfa Romeo GTV. Introduced to the UK two years ago; price about £6,800. The 1962 cc engine gives 42.2 mpg at a steady 56mpg.



BMW 320. Basic price £6,500. Engine 2 litre, 6-cylinder. Introduced to the UK in October, 1977. The engine gives 31.7 mpg at a constant 56mpg. The 323i shares the same body shape, but has a 2.3 litre, 6-cylinder, fuel injection engine. First seen in UK in the Spring of 1978; 35.8mpg at 56mpg.



BMW 520. First available in UK in October, 1977. Current price around £7,800. Engine is 2 litre, 6 cylinder unit; 30.4mpg at 56mpg. Power steering is standard. On all BMW models standard fittings include front and rear seat belts, locking petrol caps, lockable glove box, two electric mirrors and tinted glass. Sharing the same body shape are the 525, with a 2.5 litre engine, introduced late 1977, price from £8,900 and the 528i (seen here) with a 2.8 litre, fuel-injection engine, priced from £10,115.

Business cars becoming more economical

BUSINESS CARS are having to become more economical. Petrol prices have gone up by about 60 per cent in the last year, and the car industry is committed to achieving a 10 per cent cut in consumption by the mid-1980s.

So does this mean that the businessman, for long accustomed to having a large, luxurious car as his working transport, may have to lower his sights? The answer is almost certainly not.

If there is a single common feature of the executive-type cars that I have sampled over the last year, it is that they come to terms with the need for fuel economy without cutting back on the amenities.

Spacious example

Consider the Audi 200 Turbo, for example. This five-seater saloon is spacious by any standards and has an enormous boot. Its performance (over 100 mph maximum and acceleration from a standstill to 60 mph in less than nine seconds) is undeniably urgent. Yet it can be expected to average 22-23 mpg. The secret of the Audi's modest thirst is its light weight (about half a ton less than a Jaguar XJ 42), and a small, turbo-charged engine.

At small throttle openings, the turbo is inactive and fuel consumption no different from that of an unsupercharged car. But for rapid acceleration and extra power for hill climbing in high gear, the turbo-boosted 2.2 litre, five cylinder engine feels more like a 3.5 litre V8.

Power steering and ultra low profile tyres make the big Audi almost nervously obedient to the driver's wishes and give it reserves of roadholding few business users would wish to exploit.

I have dealt at some length with the Audi because it is an automotive straw in the wind, no indication of the direction the large, luxurious car will have to take if it is to survive in any numbers beyond the late 1980s. Saab, of course, follows the same guidelines with their 900 Turbo, which offers a similar style of motoring though on a smaller scale and at a lower price.

Their automatic performance control (APC) system, which allows a high compression ratio to be used with turbocharging, will be standard equipment on

Saab Hurbo next year and must be widely copied.

The ultimate example of turbo-charging benefits by combining great low speed economy with adequate highway performance is seen in the Peugeot 604 Turbo. This large executive saloon has a diesel engine of only 2.3 litre capacity. Unblown, it would offer unacceptably low performance. But turbocharged, it gives the owner a minor fuel economy in town with a 90 mph cruising capability.

The Peugeot 604 is, at present, the only turbo-charged car available in Britain. But others are on their way from among others, Mercedes and VW-Audi. The British business executive is still largely unaware of the benefits of diesel car motoring, though his Continental counterpart knows very well how they can slash fuel bills.

It has to be said that early diesel cars were slow, noisy and uncivilised. But the current crop are nothing of the sort. During the past year, three executive diesels have impressed me greatly—the Peugeot 604 already mentioned, the Audi Avant five-cylinder and the Citroën CX2500D. The Citroën carried me smoothly and swiftly to Geneva and back recently at a shade under 39 miles per gallon. Like the Audi Avant and the Peugeot, it was so refined at anything above traffic speeds one could have forgotten it was diesel, not petrol, powered.

Yet another diesel to save fuel bills without pain is the Mercedes. The 240TD estate car—an executive car, really, but with the ability to carry an enormous amount of luggage in its load space—returned a mid-30s to the gallon fuel consumption in everyday use. Renault's 20TS has its diesel equivalent. It sells very well in France and must come here soon.

Bringing fuel economy duty on DERV in line with that of petrol has helped the diesel car's prospects in Britain. The doubling of market penetration in the first quarter of this year compared with last year is a hint of things to come.

But much is also being done by the use of electronics to reduce the consumption of petrol engines. BMW in particular employ electronic performance monitoring to keep the engines of their larger cars

functioning at peak efficiency all the time, with considerable benefit to miles-per-gallon figures. It is impossible not to enjoy driving the BMW 7-series, with its electronically monitored engine and five-speed manual gearbox. A very high overdrive top gear makes the 1980 BMW 7-series longer legged and more economical than its predecessors.

Five-speed gearboxes with overdrive top gears are proliferating in the executive car market—rather belatedly in the case of German-made cars. One would have expected the Germans, with their still de-restricted autobahns allowing three-figure cruising speeds to be sustained, to have adopted five-speed manual gearboxes before the rest of Europe. In fact, they have lagged behind the rest of us. Our own Rover SD-1, with ultra high gearing in the manual transmission versions, is notably frugal of fuel. Peugeot, Citroën, Jaguar and Alfa Romeo also exploit the five speed with overdrive gearbox as a fuel saver.

Less effort

Most executive drivers, given the choice, would opt for automatic transmission (plus, of course, power steering) to take all the effort out of traffic driving. It has to be faced, however, that automatic transmission incurs fuel consumption penalties of between 7 and 10 per cent. A possible way out of the dilemma is shown by Toyota, whose latest 2.8 litre Crown saloon had a three-speed automatic transmission with an overdrive fourth gear for economical motorway cruising.

There is, of course, absolutely no reason why a business executive should not ponder to his sporting inclinations when choosing a car, providing it still fulfils its primary purpose of providing a comfortable working environment in which he can think constructively. Among cars which I have tried in the past year in which one can make haste happily are Alfa Romeo's 1.8 litre Giulietta and Alfa Romeo 2000L. The big Alfa Six is due in Britain any day now at around £12,000, equipped with everything an executive needs except air conditioning.

The Citroën Athena and Renault 2-litre alloy engine in-

stalled in the CX shell, are particularly welcome newcomers to the executive range. They offer the best of both worlds; a really up-to-date engine in a superbly suspended, self-leveling and fully power braked car, sold at a moderate price.

Ford's Cortina with 2.3 litre V6 engine, power steering and Ghia trim has almost become a Granada in price and appearance. It is no difficult to think of a Cortina in its original terms—a car for family men who wanted something more than the bare minimum.

Jaguars, with fuel injection and five-speed manual gearboxes or automatic transmission, remains in a class of their own for ride comfort, mechanical refinement and an air of tranquility. One wonders how much longer the V12 will survive. BMW bit on that particular bullet a year ago and dropped plans for their own V12 prestige saloon.

Mercedes show little change at present though the magnificent S-class replacement, with their light alloy V8 engines of 3.8 litres and 5 litres capacity in addition to the familiar 2.8 six-cylinder, will arrive here later in the year. Lancia's Gamma will get automatic transmission and fuel injection before long.

The Opel Senator and its Vauxhall Royale stablemate always impress with their ride comfort, outstandingly good handling and solid interior comforts. Renault's 30TX, has matured into an admirable executive car; any of its benefits are available at a lower price (and lower fuel consumption) in the 20TS, which still goes at the top of my medium-price list for five-seater hatchbacks.

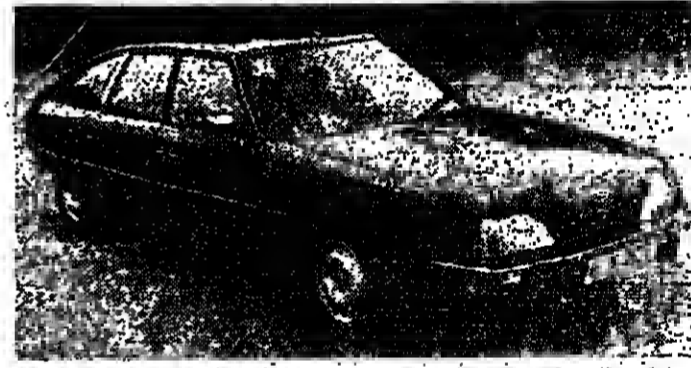
The Peugeot 505 is another eminently civilised saloon in the executive class and one of my most pleasant surprises this year was the Volvo 244 GLE. Its lusty 2.3 litre four-cylinder with fuel injection, ultra low profile tyres, power steering and four-speed gearbox with overdrive combine to make it fast, agile and economical. Anyone who had not sampled the make for several years would have trouble in even recognising it as a Volvo.

Stuart Marshall

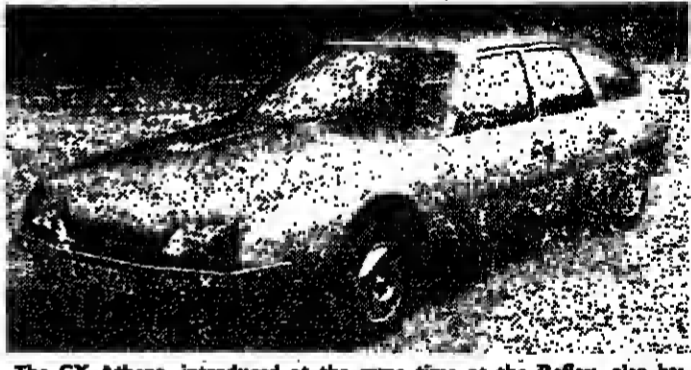
CHOICE IN THE UK MARKET



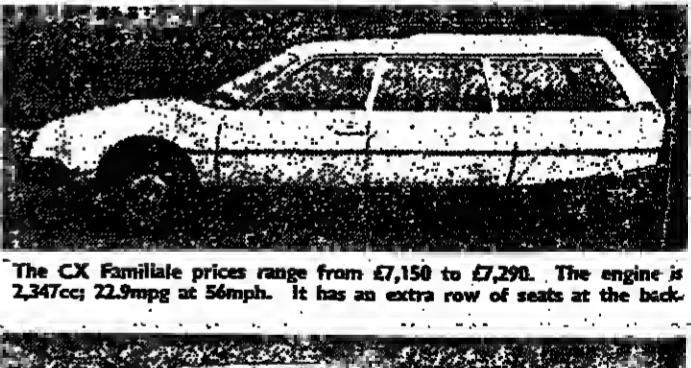
BMW 728i. Qualifies in the executive car range because the basic price is £11,845 (the other models of the 7 series are in the "luxury" bracket). However, if you want the full range of optional extras the price can reach £17,500. The engine is 2.8 litre, fuel injected. Introduced to Britain in October, last year, 26.4mpg and 56 mph.



The Citroën CX range starts with the CX Reflex, introduced to Britain in July, last year, with a current price of around £6,000. It has a 1995cc engine. Power steering and disc brakes are standard; 25.9mpg at 56mpg.



The CX Athena, introduced at the same time as the Reflex, also has the same 1070mph top speed. The price is £6,600. Engine, 1995cc. Electric and tinted windows are standard, as are disc brakes and power steering.



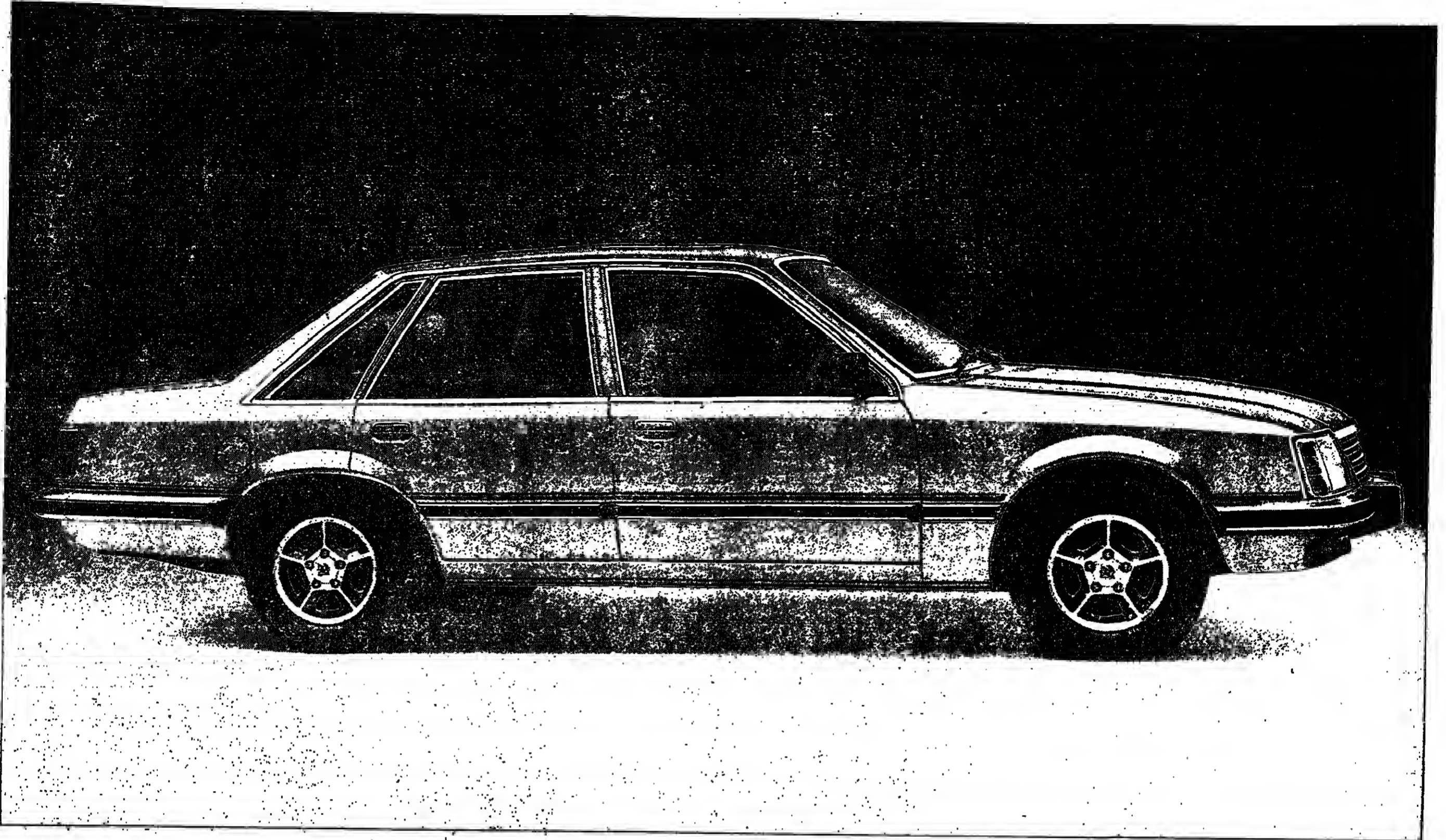
The CX Familiale prices range from £7,150 to £7,290. The engine is 2,347cc; 22.5mpg at 56mpg. It has an extra row of seats at the back.



Citroën "Executive" Sapporo 2000 GSR. This Mitsubishi-built model was introduced to Britain in April, 1978. It has a 1995cc engine; 33.5mpg overall. Price, £6,599. The "Executive" package adds another £1,200 and includes two-tone paint work, vinyl roof, sports alloy wheels, electric windows, stereo, fog spotlights, spoiler.



The Citroën Sigma GLX costs around £5,300. First available in the UK in 1976. Engine is 1995cc; overall mpg is 35. There is also a Sigma Estate at £5,599.



Have you noticed how luxury, like beauty, is often only skin deep?

If you're easily seduced by thick carpets and comfy seats, there are any number of 'luxury' cars to choose from.

If, however, you believe there's more to luxury than meets the eye (or for that matter, the posterior), the list of candidates rapidly shrinks.

Two cars that bear closer scrutiny are the Vauxhall Royale Saloon and Royale Coupé. Their distinctive looks owe as much to the science of the wind tunnel as to the art of the designer.

Both cut through the air with the minimum of turbulence and, as a result, with minimal wind noise.

A tapered, sloping bonnet and, below the bumper, an air dam reduce aerodynamic lift at speed and underline

the cars' remarkable stability and impressive roadholding.

Even the door mirrors are specially contoured to deflect spray and dirt away from the side windows.

Road noise, too, is suppressed not just by layers of insulation, but by the suspension itself.

Springs and shock absorbers, for example, have been

mounted closer to the wheels than is customary.

They react faster and more effectively to the smallest movement and successfully iron out those irritating small bumps that can be so intrusive.

While the bodywork itself has a natural resonance too high to be excited by road vibrations.

The engine, a silky 2.8 litre 140 bhp six-cylinder unit, is additionally steadied by two diagonally positioned hydraulic dampers for further smoothness.

And automatic transmission is, of course, standard on both cars (with manual available at no additional cost).

Inside, the Royale is one of the few cars that allows the driver to achieve not just a good driving position, but the ideal one.

You can adjust the driver's seat for height, as well as for reach and rake and the steering wheel is tiltable.

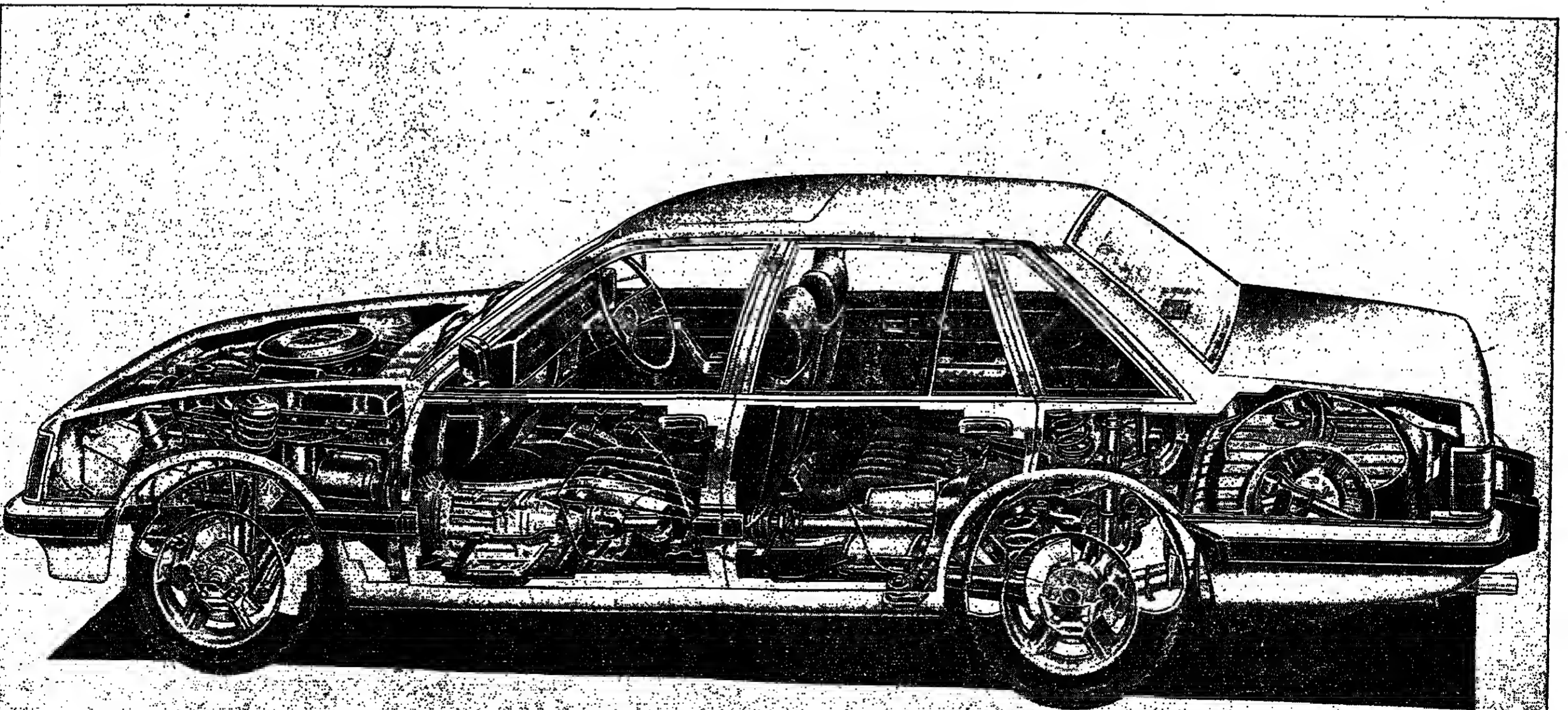
As you'd also expect, the steering is powered.

Examine a Royale at your nearest Vauxhall dealer, and don't simply be seduced by the lavish specification.

You'll find it's one of the few cars where luxury is more than just a question of appearances.

Luxury is built in, not bolted on.

AIR CONDITIONING IS THE ONLY OPTIONAL EXTRA AT £825. SALOON £10,100, COUPÉ £10,647. PRICES, CORRECT AT TIME OF GOING TO PRESS, INCLUDE CAR TAX AND VAT. DELIVERY AND NUMBER PLATES EXTRA.



VAUXHALL
ROYALE

EXECUTIVE CARS IV

CHOICE IN THE UK MARKET



The Austin Morris Princess 2 is available with a 2-litre engine in two "executive" specifications. The HL, priced at £5,170, was introduced in July, 1978. The HLS was launched in May, last year, and is now priced at £5,650. Overall mpg for both is 32.5. The Princess has a bigger engine: the 2200 HLS (pictured) costs £6,150 and does 28.1 mpg. It was introduced in September, 1979.



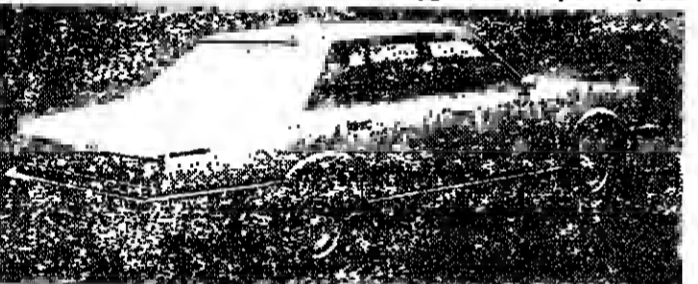
BL's Rover range starts with the 2300 (denoting a 2.3 litre engine) priced at £6,580 and introduced in October, 1977. Overall mpg is 25.2. The Rover 2600, also introduced in October, 1977, costs £7,700 and has an overall mpg of 28.4. The Rover 3500 (seen here) was launched in June, 1976, and has an overall mpg of 26.3. It is priced at £9,475. The most recent introduction was the Rover V85 in July, last year. Overall mpg is 26.3. Price: £11,250.



Datsun Laurel. In Britain, Datsun offers its Laurel in two versions—either with a 2 litre or 2.4 litre engine. Price for the former is around £5,500 and for the latter £6,200. Both were introduced in the Spring of last year. The 2 litre averages 31.7 mpg at a steady 58 mph and the 2.4 litre 34.9 mpg, thanks to a five-speed gearbox and fuel injection.



The Datsun Skyline 240K comes with an impressive array of standard fittings in the £6,700 price, including a five-speed gearbox and fuel injection for the 2.4 litre engine. Introduced in Britain in January 1979, the Skyline achieves 24 mpg at a steady 56 mph.



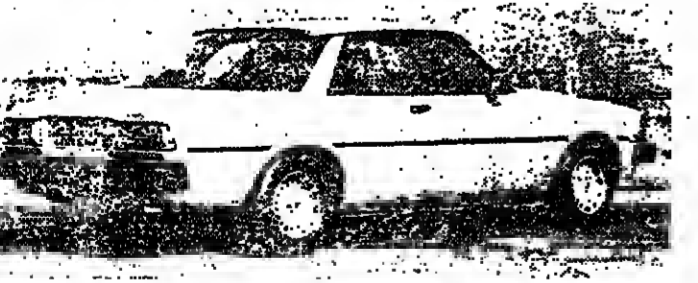
The New Datsun 280 Executive saloon is priced at £7,700 and was introduced in March this year. The five-speed gearbox and fuel-injected 2.8 litre engine achieves 31 mpg at a steady 56 mph.



Ford offers an executive Cortina with the Cortina 2000 Ghia (pictured) at £5,663. The price includes many special standard features such as alloy road wheels, radio/stereo cassette, tachometer and so on. The 2 litre engine achieves 37.7 mpg at 56 mph. Other Cortina executives might choose include the 2000 GL, the 2300 GL and the 2300 Ghia and estate car versions.



The example of Ford's Granada range illustrated in the 2800 Ghia automatic, costing £9,613. Other Granadas use the 2.3 litre engines instead of the 2.8 litre and included in the range are the 2300 GL, 2300 Ghia, 2800 GL, 2800i Ghia, 2800i Ghia and estate car versions. The Granada was introduced in August, 1977. Fuel consumption at 56 mph is 28.5 mpg.



Mazda introduced the Montrose 2000 Coupe, made by Togo Kogoro in Japan in April 1979. The model costs £5,500 with manual transmission and £5,800 for the version with automatic transmission. Overall mpg is 24.3.



The compact-bodied range of Mercedes saloons qualify for the "executive" car definition. The range starts with the 200 (indicating a 2 litre engine) priced at £8,400. Fuel consumption is 38.1 mpg at 56 mph. The 230 costs £9,500 and has a four-speed automatic transmission, as well as the 2.3 litre engine. Fuel consumption is 27.7 mpg at 56 mph. The 250 shares the same automatic and costs £11,000. Consumption is 28.5 mpg. The 200 D (diesel saloon) is priced at £8,730 and achieves 34 mpg. There is also a 240 D at £9,500 with a 30 mpg consumption.

IN 1960, only 22 per cent of all new car purchases in Britain were company cars. By 1975, the level had reached 56 per cent. Last year, around 70 per cent of the new cars which took to Britain's roads were bought with corporate cash. It was a record year for car sales and companies must have bought nearly 1.2m cars in 1979.

It is difficult to define precisely which of these cars were purchased as "tools of the trade" for salesmen and other company representatives who travel many miles in the course of a year on company business. (Most companies off the main transport routes still find the car the most efficient method of transporting their representatives where they want, when they want them.)

However, stockbrokers Simon and Coates recently estimated that cars provided as "fringe benefits" rather than as "tools of the trade" account for as much as half all company car purchases—that is 35 per cent of all new car sales in Britain.

The reasons for this are well-known, but worth emphasising once again. During the 1970s companies found it more and more difficult to reward managerial effort properly given the UK's personal tax system with its high marginal rates and successive years of either formal or "voluntary" pay restraint.

As the pressure built up during the latter part of the 1970s, so did the growth in the number of people entitled to company cars. And those "beyond the fringe" benefits (to use a phrase first coined by the British Institute of Management) to cover exotic schemes such as those for leasing shirts and suits (for employees) also appeared.

Although the "beyond the fringe" entitlements were restricted to a very few people working for financial institutions—manufacturing industry keeps a tight reign on "perks" of all kinds because it can't afford them—the Government was determined to stop the rot.

The Chancellor, Sir Geoffrey Howe said he would take action to stamp out the more outrageous perks and dampen enthusiasm for others. Instead, the Government would reduce income tax and allow people to keep more of the extra cash they earned.

Not surprisingly, there was

some concern caused by this promise—or threat. Past history would suggest that the attack on "perks" would be launched but the countervailing reduction in direct tax would probably not be anything like enough to cover the cost.

To some extent these worries were increased when the Inland Revenue published a consultative paper outlining measures which might be taken to discourage the growth in company cars provide as fringe benefits—primarily by altering the basis of taxation on these benefits.

Managers' views

The view of many managers, as expressed by the British Institute of Management, was that there was a case for reviewing the whole range of non-pecuniary fringe benefits and their taxation but that any review should be comprehensive—not picking out single benefits like the company car.

The BIM also stressed that the implementation of any tax changes resulting from the review should be gradual and linked to a proposed programme of reductions in personal taxation.

"We accept that a comprehensive review will encompass other benefits of interest to managers, besides company cars. Ultimately, there is no advantage to anyone in a reversal to payments in kind," commented the BIM in its

representation to the Inland Revenue.

"People prefer to be left with a reasonable proportion of their income and to choose their own priorities in spending their money. The intention, we trust, is to simplify the system, not to militate against the hard-pressed middle manager—to reduce payments in kind, not payments as such... managers are not expecting a reduction in the real value of their total remuneration package—which has suffered disproportionately in recent years.

"We urge you to make no move without a clear and direct linkage to the Government's announced long-term package of tax cuts. We also think it essential that the review and any resulting implementation should take place over a period long enough to allow companies to make the necessary adjustments to avoid distorting the existing structures of grading or differentials."

There were other dire warnings about what would happen if the Chancellor went too far too fast with some of the Inland Revenue's company car proposals.

Simon and Coates, for example, estimated it would cut new car sales by 10 per cent and increase the number of imported cars on the road—new registrations of imported models are already running at close to 60 per cent.

The stockbrokers also estimated that the changes would

impose a £350m annual additional tax burden "on the still relatively narrow section of the population who have company cars."

In the event, the Chancellor in his 1980 Budget made only a modest start to his campaign.

He increased by 20 per cent the notional value of a company car for tax purposes.

This still leaves the company car as one of the better bargains around.

For example, in the 1981-82 tax year the notional annual value of a car costing up to £9,500 with an engine of over 1.8 litres—a typical executive vehicle—will be £450.

Compare this with the BIM estimate in its 1979 publication "Business Cars" that a car can be worth £1,500 to £2,000 a year to an employee if depreciation, tax, insurance and maintenance are taken into account.

The issues on which the Chancellor held fire this year included whether or not to eliminate the distinction between higher and lower-paid employees in respect of fringe benefits.

Currently anyone earning below £8,500 is only subject to tax on the benefit if it is convertible into cash, a restriction which does not apply to those earning more than £8,500.

The Chancellor has asked the Inland Revenue to consult employers about the problems in eliminating this threshold and making fringe benefits taxable

in the hand of all employees.

And fears that the Chancellor would tax petrol provided by employers for their staff were proved groundless, this year at least. But, despite the administrative problems involved, Sir Geoffrey said that if the provision of free petrol continued to spread at anything like its present rate he would feel "bound to contemplate action next year."

There are many people who feel that the Chancellor's attack on the company car is justified on social grounds.

The Conservation Society has been a dauntless opponent of the company car system which it insists is highly inequitable. "It is probably emphasising and maintaining social divisiveness and doing so in a manner that is insidious because it is not obvious. It is leading to inefficiencies in uses of resources, notably fuel."

The Society argues that as most UK citizens are taxpayers and company cars attract tax relief, it can be argued that almost everyone in the country contributes towards company cars. But only the middle-class, higher income groups actually benefit. Therefore, the lower-

income groups are effectively subsidising car ownership among the richer members of the community.

The same lower-income groups are also those which suffer most from the problems of being carless in a car-oriented society. Facilities are becoming less easy to reach other than by car because the other means of reaching them are being withdrawn.

Pamela Johnson, chairman of the society's London Liaison Group, maintains: "If the subsidies given to company cars were eliminated, it would achieve two desirable goals."

"The most obvious is the conservation of petrol which would occur as company cars are smaller, fewer and did less mileage."

"The other benefit would be immediately tangible—a cleaner London. Fewer car commuters in London (only 12 per cent of London's commuters come by car and probably almost all are in company cars) would mean less congestion, fumes, danger and so on—as well as better bus services."

Kenneth Gooding

CAR ALLOCATION CRITERIA FOR MANAGERS (% companies)

	Chairman/ managing directors	Board members	Senior managers	Middle managers	Junior managers
Salary only	79	77	51	22	12
Salary level only	1	1	3	2	1
A combination of status and salary level	7	9	16	11	7
Amount of business travel required only	2	2	7	28	49
Amount of business travel required plus status	8	8	16	24	17
Amount of business travel required plus salary level	—	—	1	5	4
Amount of business travel required plus status and salary level	3	3	6	8	10
Sample Size	430	380	421	328	227

Source: BIM's Management Survey Report "Business Cars" by M. Woodmansley.



A symbol of success—the Jaguar XJ12 sedan has a 244.4 bhp V-12 engine, with fuel injection.

Symbols of company status and power

THE WESTERN world takes the car very seriously. For many people it is not just a luxury consumer durable, but a necessity of life. A 1979 Roper poll in the U.S., for example, showed that Americans rank cars ahead of children as ingredients for a good life.

There have been recent reports from the States that an upsurge of impotence among American males can be traced to the down-sizing of their cars because in the U.S. cars are being made smaller to save weight and thus save fuel.

The car has often been portrayed as a sex symbol, as an extension of the driver's sexual drive. That might well be the case in other parts of the world, but in Britain a car represents not sex, but status and power.

"The reason a man buys an expensive car is that he likes to be seen to be successful and aggressive, a prime mover. Nobody takes much notice if you wear Savile Row suits or Gucci shoes, or whatever and few colleagues are invited to your home. But if you roll down the road in a Jaguar, a BMW or a Mercedes then everybody knows you have made it"—that comment comes from Alan T. Stout, a London-based motivational research consultant to advertising and industry, whose organisation, Alan T. Stout (USA) and Associates, specialises in carrying out qualitative research for the motor industry.

In Britain, the picture is blurred somewhat, of course, by the company car and the fact that so many successful businessmen are entitled to the corporate machine. Within the company, the car will very clearly reflect his status in the hierarchy. But his importance might not be so visible to the world outside if the company has a purchasing policy restricting employees to vehicles from only one or two manufacturers.

To take an obvious example: if, as with so many UK corporations, Company X buys only Ford, the managing director will be allocated a Granada Ghia. Given a choice, however, he might well have wanted to spend the £9,000 or so on something entirely different.

However, although it seems that seven out of 10 new cars delivered in the UK are "company purchases" in the broadest sense, not all corporations are as restrictive as Company X. Indeed, empirical evidence suggests that the offer of a "perk" car is not enough to attract some executives—they also want a choice of "perk" car. More and more companies are

giving such a choice, allowing an employee to choose between cars of similar price.

Then there are those "company cars" where the driver plays a major part in the decision about which vehicle will be bought. Small, privately-owned companies (where the chairman and managing director is also the owner and his wife the only other director apart from his accountant) often buy very expensive company cars for the chairman and managing director.

Sometimes it is simply a question of obtaining a vehicle in the right tax bracket. It has been known for a company to telephone the local showroom and ask: "What have you got on the floor at about £12,500?" If there is something suitable, it will sometimes be bought without being inspected at all.

But the majority of people who buy relatively expensive cars—even with company money—choose a particular vehicle because they have an image of themselves which they want to pass on very clearly to the rest of the world.

They are influenced in the decision in a number of subtle ways. Casual conversations in Britain often include talk about cars, a fairly safe topic and one that can fill a lot of time. A general consensus that one

make of car is "good" and another "poor" will have considerable influence on the buying policy of anyone within that group. If he generally admires the people present, a man then goes out and purchases a vehicle which they agreed represented an idiotic choice?

Mr. Stout points out that quite often a kind of circular process takes place. A certain type of man has an image of himself which he feels would be best conveyed by a particular make and model of car. He buys the car. Other people recognise his as, say, "successful, young and sporty". They also see he drives a particular model of car. Thus, they also perceive that model as one for "successful, young and sporty" people.

The next step, having spent rather a lot of money on a vehicle, is for the purchaser to defend the purchase. He might invent, with the benefit of hindsight, reasons for buying the car which he had not thought about before he signed the cheque.

He certainly cannot criticise his new vehicle in any serious way. Mr. Stout adds: "If something goes wrong he is unlikely to criticise his chosen vehicle in public. More often than not, he will defend it vociferously

because a flaw in his choice is equated to a flaw in his judgment and in his image."

A similar thought process occurs when a person chooses the same make—even the same model—when he trades in his car for a new one. It proves that he made a clever choice the first time.

He recalls a woman who bought a car that was made by a company which shall be nameless, but which makes much noise about the quality and reliability of its vehicles. During the first six months, after taking delivery, the woman managed to complete only about 2,000 miles in the car because it was one of those rogue vehicles (with 13 separate faults), that was in constant need of attention. Yet after 18 months when she was asked: "What is the best car on the road?" she named the car—the rogue car that she owned.

In Britain, then, a car can provide the right "image" for an individual or a company. That is possible because when people say to themselves: "Look at that car, you can see he has 'made it'." They do not ask themselves: "How did he make it?"

The fact is often ignored that many expensive cars are bought by men who literally

pull bundles of used notes out of various pockets—"Only property developers, pop stars and people in cash businesses can afford my car," is the way the manager of one motor emporium summed it up, recently.

More seriously, the attitude of the British to the people they see in expensive cars suggests that corporations should certainly have "prestige" vehicles available—either on the fleet, leased or as part of a deal with a hire organisation. The senior directors should be seen to be "successful" and the egos of important visitors should also be boosted by being ferried around in the right type of conveyance.

The question is: How does a manufacturer build the right sort of image for his cars?

Mr. Stout estimates it can take up to 10 years—"It is difficult enough when you are starting from scratch, as an unknown. But when you have a past history to overcome, it can be a long, uphill grind."

He has some suggestions for those car manufacturers intent on image-building. First, there should be a "20-carat" exchange system. If anything should go wrong with a new car the customer should

either be given a replacement to keep or at least one to borrow until the work has been completed on his first vehicle.

Then the manufacturer should make sure his car is seen in the right social context, particularly if he is building an image in Britain—"It would even be worthwhile giving cars to people who are recognised by the public to have a certain 'image' if that image suited the car and was the one the company intended it to have."

On a broader front, Alan T. Stout suggests that one of the appealing features of the car is that for most men it represents the only totally controllable environment they can have.

"Whatever shape a man's house is in, he can keep his car the way he wants it. His wife can't continually rearrange it, for example. His car is his castle."

"And when money is an object, he can buy a car that is padded, noiseless in operation, filled with stereo music and safe at speed. He not only has a totally controllable environment, he feels it is totally invincible, too. It proves to him that he always suspected that only the rich deserve to 'live'."

K.G.

THE PUBLIC VIEW OF ROLLS-ROYCE OWNERS

Question: "Which of these statements apply to someone who has a new..."

	Rolls-Royce spring 1976	Rolls-Royce autumn 1978	Jaguar autumn 1978
In the pop-star/jet-set tradition	26	41	27
Likes traditional British things	22	21	15
A person who loves fine cars	49	55	49
Uses it as a tax dodge	16	18	21
Patriotic in supporting British Unnecessarily extravagant	18	15	14
Lucky to be able to afford one	63	65	64
Concerned with status and impressing others	27	34	31
A successful businessman	56	52	43
Uses more petrol than they ought	N/A	20	20
Doesn't care about less fortunate people	7	6	4
A member of the Establishment	11	12	6
Helping to keep Britain's workers in jobs	16	12	8
A self-made person	21	27	19
Runs it on company expenses	26	27	35
Appreciates craftsmanship	33	42	23

Source: MORI.



One survey shows that "the reason a man buys an expensive car is that he likes to be seen to be successful and aggressive, a prime mover."

Growing interest in diesel power

AN ITALIAN motorist in his and Continent. At 70 mph or above, the consumption gap tends to narrow considerably. Nevertheless, the diesel is still unlikely to show less than a 25 per cent improvement over petrol.

That diesels have not, therefore, already conquered the car world is accounted for by a number, albeit dwindling, of disadvantages.

First, litre for litre, the diesel's power output is well below that of the petrol engine. Whereas, say, Mercedes 2-litre petrol engine produces about 85 brake horsepower, the diesel produces only 55.

Performance

Since this smallest of Mercedes diesels shares the body and running gear of the 118 mph 2300E fuel-injected petrol model, it has been perhaps cruelly described as having the biggest reserves of roadholding in the world.

To at least partially counter the poor outright performance problem, Peugeot, Fiat, Citroën and others have tended to stretch the cubic capacity of diesel versions: thus the Italian motorist's petrol-powered Mirafiori has a 1.6 litre engine, the diesel version has 2.1 litres to propel it—but still not as quickly.

Another route by which the power differential can be reduced is by turbocharging. The turbo on commercial vehicle diesel engines ceased to be a novelty years ago; but it is only recently that turbo diesels have started appearing in cars.

The first to arrive in the UK executive car market went on sale in January: Peugeot's 604D Turbo. Its four-cylinder, 2.3 litre engine—developed from Peugeot's old-established XD2 unit—develops 90 horsepower and 136 ft lb of torque with the help of its British-built Garrett Airesearch turbocharger.

The result is a £9,500 vehicle capable of accelerating to 60 mph in 17.4 secs and a top speed approaching 100 mph—a relative slouch by petrol standards, but, in diesel terms, a flyer. Peugeot says initial sales have been encouraging.

Other turbo diesels are on the way: Volkswagen for 18 months has been developing a turbo version of its 1.1 litre Golf diesel, well over 1m of which have been produced since its introduction in 1977 and demand for which is running far beyond VW's ability to produce.

While the non-turbo version provides average small car performance with overall fuel consumption of about 50 mpg, the turbo version is said to be on level performance terms with the sprightly 1.1 litre petrol driven Golf while at the same time returning an even lower fuel consumption than the turbocharged diesel. The same engine is expected to be used also in the recently launched diesel versions of VW's Passat.

Meanwhile, Mercedes, which has been selling a turbo version of its 300D diesel in the U.S. for some time, will start selling the cars soon in the UK and Europe, and Peugeot's Turbo diesel can be expected to find its way into the 505 series launched last year.

The trend is one which can be expected to spread among other makers, and across a wide price and capacity range. VW, for example, forecasts that by 1988 one third of its world car output will be diesel and that by then the lightweight turbocharged diesel will have arrived providing 100 mph performance with fuel consumption of 70 mpg or more.

Inferior performance is not the only current disadvantage of the diesel, however. It tends to be considerably noisier than a petrol unit and it does cost more to produce, and thus to buy. This extra derives mainly from the complicated fuel injection equipment needed, and the more powerful starter

motor and batter required to turn over an engine which works at a much higher compression ratio—typically 30:25:1, or about three times that of a petrol engine.

In many cases, too, (though not with the VW/Audi units, which are closely based on petrol engine components) building extra strength into the engine to cope with the increased combustion stresses has meant heavier engines; and while a diesel can be much longer lasting than a petrol engine, it also requires more frequent maintenance.

One of its more minor traditional drawbacks, the need to wait until the glowplug to fire the engine has warmed up, has been, if not eliminated, at least considerably reduced. An average wait from an overnight halt is now down to about 15 seconds, while Isuzu claims to have reduced the wait to 3 seconds on its diesel unit.

In the footsteps of VW, Ford—which at the moment sells only one diesel car, a Granada version fitted with a 2.3 litre Peugeot unit—is carrying out a joint study with Deutz on developing diesel versions of its petrol units. And where such paths are followed, allowing diesel units to be produced and assembled alongside petrol

versions. It is likely that the price premium for a diesel, typically about 15 per cent in the U.K., can gradually be expected to narrow.

There is a strong marketing element in current pricing, however.

Boost in output

For example, despite the diesel element in VW's production soaring from 6 per cent in 1977 to nearly 25 per cent now, it is still in no position to meet demand and is currently engaged in a recruitment drive for 5,000 extra workers in West Germany to step up output. This year, the UK will receive about 2,500 VW/Audi diesels, against VW's declared belief that it could sell 9,000 this year if only it could get them.

With the demand/supply equation so far out of equilibrium, it is not surprising that the diesel Golf, for example, costs £800 more than its petrol equivalent.

Whether it is worth buying a diesel will depend largely on whether the car will cover a sufficiently high annual mileage and be kept for long enough for the fuel-saving benefits to outweigh the higher purchase cost.

Anyone in the UK travelling less than 10,000 miles a year and keeping such a car for only two years would make no financial gain, in addition to which he would have to put up with inferior performance.

Above both those criteria, however, the odds shorten swiftly in favour of the diesel and this year's Budget, which brought Derv down to the same price as petrol, has also given diesel prospects a boost—to the extent that the diesel makers now consider inroads can be made into corporate fleet markets.

To date, the UK has proved a poor market for diesel cars. In 1978, sales, at 3,535 units, represented only 0.22 per cent of the market. Last year, they climbed to 5,342, however, and in the first quarter of this year they really accelerated, to 2,052 Peugeot's, which is the UK leader with about 35 per cent of the diesel market, believes the market could still reach 8,000 this year despite the restriction on VW/Audi imports and thus the crushing of VW's hopes to take over the UK market leadership this year.

The UK differs from most of Europe in not having a British-built diesel car. BL was widely expected last year to produce a Princess using a diesel engine developed from its B-series engine that did not materialise, and diesel versions of its new "O"-series engine now also seem

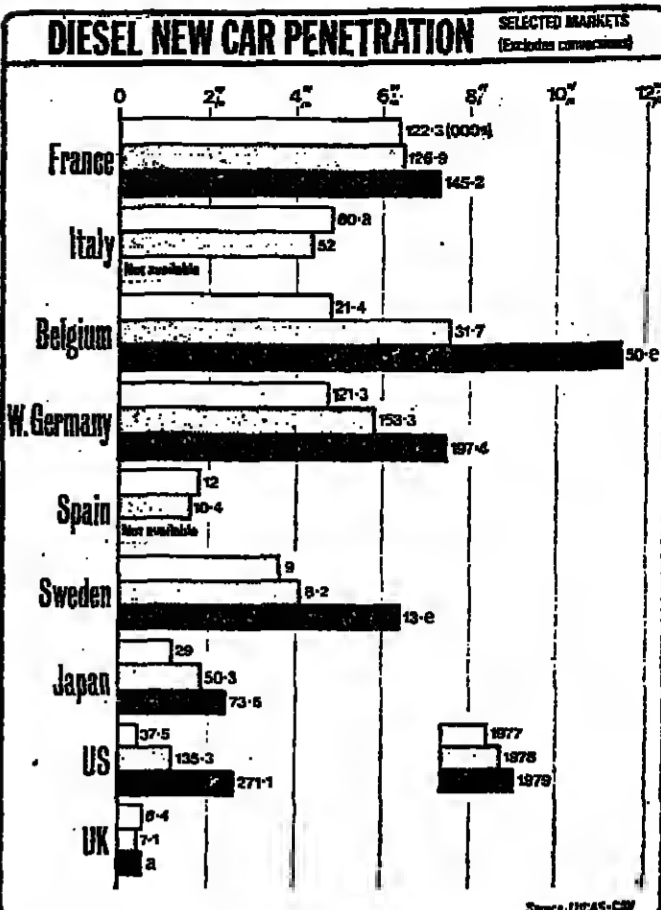
unlikely to appear in the near future.

With no UK-made diesel candidates, it is hardly surprising that the Society of Motor Manufacturers and Traders has advocated the arguments for fuel conservation, should not make diesel fuel actually cheaper than petrol—an argument which appears to have been accepted.

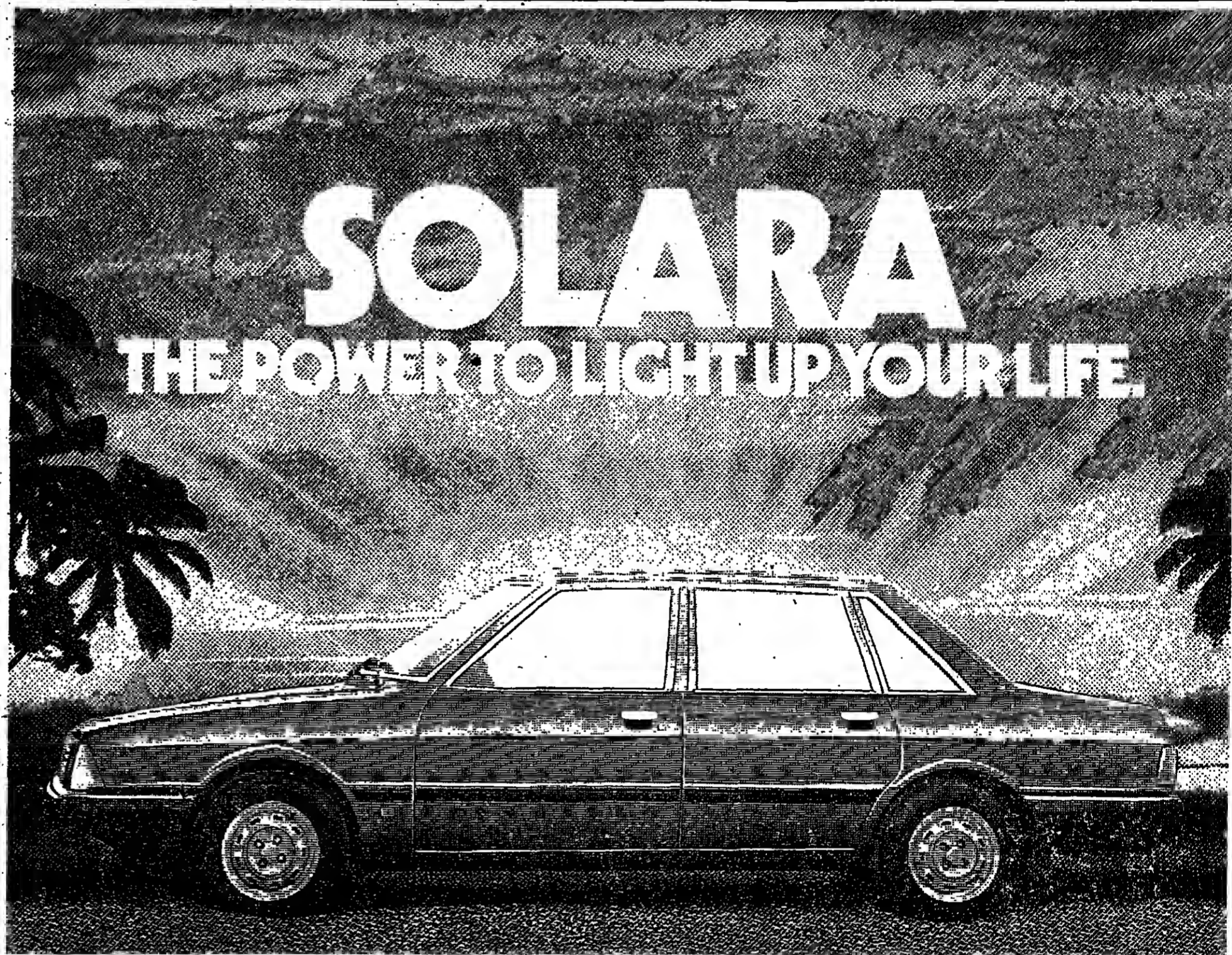
Thus, while high prices for both fuels are likely to see Britain experiencing its own share of the diesel "revolution," it is unlikely to be among the leaders. Things may change if the diesel becomes "fashionable," but UK attitudes would have to alter more than most: while Continental fuel stations have long since given derv and petrol equal status on the forecourt, the diesel car owner in Britain inevitably is directed to the usually dirty and dank commercial vehicle area.

Even that may change, however, if sales take off and move into the fleet markets as Peugeot, among others, expect. Certainly Peugeot's expectations are based on more than crossed fingers. It has just taken its first diesel fleet order—for 17 305 diesels from Howard Doris for its oil rig construction site at Wester Ross.

John Griffiths



The trend towards diesel car production is one that can be expected to spread across a wide price and capacity range. Volkswagen, for example, forecasts that by 1988, one third of its world car output will be diesel and that, by then, the lightweight turbocharged diesel will have arrived, providing 100 mph performance, with fuel consumption of 70 mpg or more.



HOW THE NEW TALBOT SOLARA WILL LIGHT UP YOUR LIFE.

THE LOOK

The new Talbot Solara radiates style, but not without purpose. Its aerodynamic shape drastically reduces wind resistance and noise, and dramatically increases fuel economy. (Up to 46.3 mpg from the 1600 5-speed at a constant 56 mph).

THE POWER

With Solara there's no trade-off between economy and power. Our 1300 and 1600's develop more horsepower than most conventional engines of the same capacity.

THE CHOICE

The brilliant new seven car Solara range includes 1300 and

1600 engines, 4 and 5-speed manuals, an automatic, and LS, GL, GLS, and top of the line SX. All with a spacious, airy interior.

THE EXTRAS ARE STANDARD

The Solara SX comes equipped with trip computer, cruise control, power steering, electric windows, central door locking and more. And no matter which Solara you opt for they're all fitted with electronic ignition, heated rear windows, reclining seats, radio, and inertia reel seat belts.

THE STRENGTH

The strength of the Talbot name is behind every Solara with its

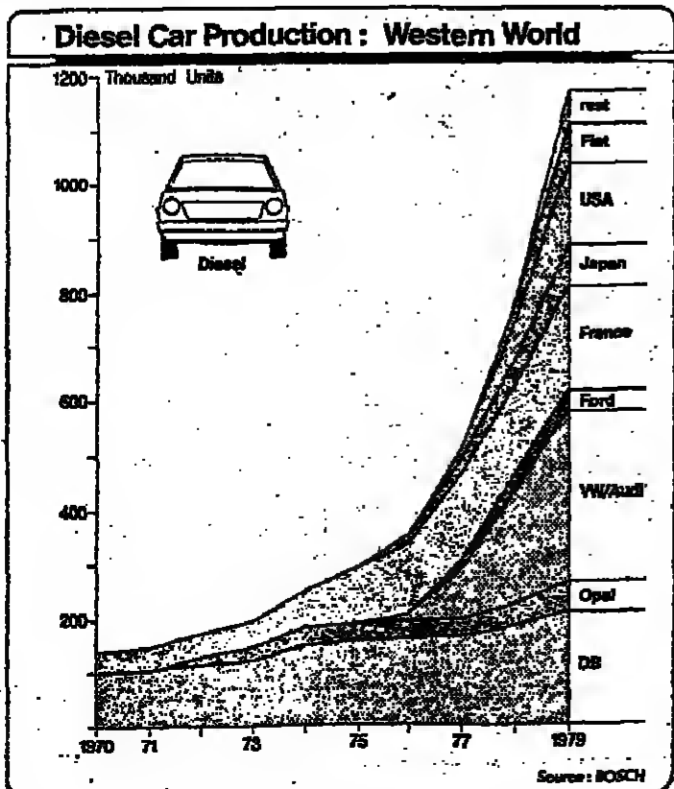
proven and comprehensive warranty, 10,000 mile servicing, and the 'Extra Care Policy'.

THE PRICE

£4,068 to £6,370. And you'll be surprised at the deal your Talbot dealer will offer.

If these facts haven't shed enough light on the new Solara, see your Talbot dealer and ask for a test drive. Light up your life.

TALBOT
ON THE MOVE



Some car manufacturers claim that a "diesel revolution" is taking place in countries with a major fuel price differential between diesel and petrol.

Ask about the special Talbot Insurance Plan which may save you up to 20% for Duty Free Export Sales. Phone Talbot Personal Exports Ltd, Devonshire House, Piccadilly, London W1, 01-499 7236. Prices include inertia reel from seat belts. Delivery charges and number plates extra.
 1300LS 1592cc, 23.1 mpg (9.7L/100km) 41.6 mpg (5.2L/100km) 1.6GLS 1592cc 5-speed 35.1 mpg (8.2L/100km) 46.3 mpg (5.1L/100km) 34.4 mpg (8.2L/100km) 1.6SX 1592cc Auto, 27.7 mpg (10.2L/100km) 37.2 mpg (7.6L/100km) 27.7 mpg (10.2L/100km).



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Alfa Romeo
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EXECUTIVE CARS VII

Fierce competition in luxury class

COMPETITION FOR sales of executive cars in the range of £10,000 and above has increased recently as the result of corporate stringency and higher fuel costs, although the latter factor remains fairly marginal, particularly at the top end of the market.

This market has traditionally been dominated by British cars, mainly because large public companies believe that their senior executives should be seen to be supporting UK industry. However, this buying pattern is by no means as widespread in continental countries, and importers of prestige cars, such as Mercedes, BMW, and, to a lesser extent, Peugeot and Citroën, have made significant inroads in some sectors.

Buyers of imported cars, such as these, are typically the successful smaller company, whose executives do not feel obliged to conform to multinational corporate self-employed people. However, many British companies do offer their executives the choice of a number of cars within a certain price for

engine capacity range, regardless of make.

The standard car for British senior executives remains the Jaguar, and BL estimates that round 90 per cent of its output is sold to companies. At prices ranging from £13,988 for the 3.4 litre version, £15,338 for the 4.2 litre model, and £18,135 for the XJ-12, this is not surprising. Running costs have also become prohibitively high for the individual.

Although some companies operate a hierarchy based on Jaguar engine capacity, with the chairman driving an XJ-12, there is a trend towards smaller engine capacity versions, perhaps in an effort to show that executives are at least making gestures towards fuel economy.

As a result, the more expensive Jaguars can now be bought with immediate delivery, and despite an overall weakening of the market, the smaller engine capacity versions are still selling well. However, a serious problem for companies is now facing with the purchase of larger cars in general, is that residual values have fallen con-

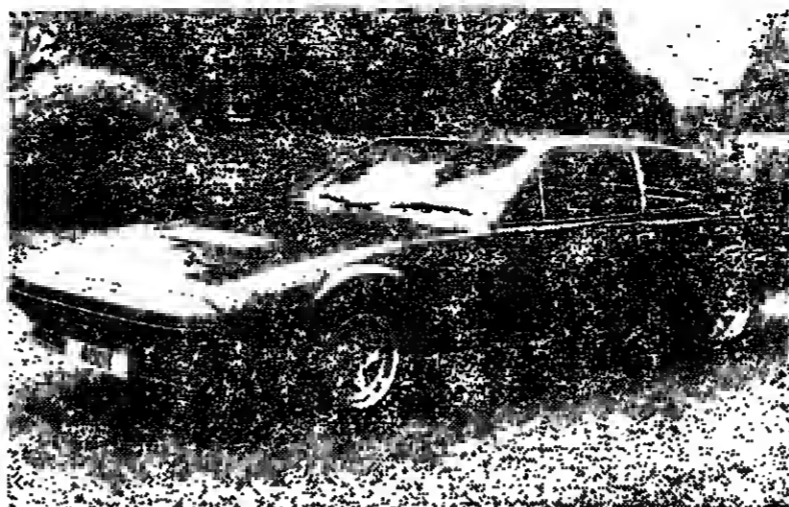
siderably, making replacement costs effectively higher.

BL's Rover V8-S with a retail price of £11,287 and the Rover 350 at very nearly £10,000 are also suffering from some corporate resistance, partly as a result of fuel consumption, although, as with other companies, BL is working hard to improve fuel efficiency.

In this sector, Government purchases are an important part of overall sales, as are those by police forces. Here there is some resentment on the part of BL, which believes that forces which opt for foreign cars, such as BMWs, should realise that it is impossible for German or French police to buy British cars.

The most valuable corporate buying policies for BL are those which specify a whole range of its cars through the company, down from an XJ-12, through the Rover range, and on to Princesses for sales staff, although here there is tough competition from Ford.

Despite the impressive look of the higher engine capacity Ford Granada version, only two



The Ferrari 400i automatic and (right) the Rolls-Royce Camargue



are above the £10,000 mark. These are the 2.8 litre Granada Ghia at £10,055 and the estate version at £10,408.

Ford has successfully traded on the size and look of the

Granada to reach the executive market, and the car allows a fair degree of prestige and considerable comfort, while not being too conspicuous on a company's books. It also offers a

great range of options through 16 versions of the car.

However, Ford is also aware of a "slackening of pace" in the market, and an increase in competition at the top of the range, with advertising apparently becoming more aggressive. Significantly, much of it implies shortcomings in other cars, indicating that sales in a stagnant or contracting market must come at the expense of other manufacturers.

The two major challengers to Jaguar in this market are Mercedes and BMW, both of which have had considerable success in the past few years, despite limitations imposed by allocations of cars which fell well short of demand.

starts of a current ad with the promise: "Drive any Mercedes-Benz car you like and you'll soon see why you're unlikely to drive anything else. Unless, of course, it's another Mercedes-Benz." (Four out of every five new Mercedes are bought by previous Mercedes owners.)

Even in a relatively sophisticated sector like the executive car market, some of the advertising employed is dull, repetitive and unattractive. But you can bet a laminated windshield to an electric sunroof that somewhere in the body copy, as the blurb is called, lurks a worthwhile sales message that is struggling to get out.

Michael Thompson-Noel

As with other companies, Mercedes has tried to build up a profile of its average corporate owner in Britain, since it sells around 70 per cent of total volume to companies. However, only a sketchy picture has emerged. Mercedes knows that the average age of that man is around four years above that of the average executive driving a company-owned BMW, and that he places importance on reliability, safety and comfort, rather than up-to-the-minute trimmings on the car. Mercedes policy is to offer all those items as extras, rather than standard, although its basic range of equipment is adequate.

Racy aspects

BMW believes there is a subtle difference in character between its customers and others, and therefore promotes the more racy aspects of its range of cars. In the bracket above £10,000 these are the 528i at £10,595, the 728i at £12,485, the 732i at £14,325, the 735i at £16,175, and the flagship of the fleet, the 635CSi at £18,930.

This year, the company hopes clear indication that its market to sell a total of 14,500 cars in the UK (which would be around 1 per cent of the total market, of which perhaps 20 per cent will be cars in the 7 series,

which remain extremely popular in the British market.

During the first three months of this year, BMW reports record sales, but a slight fall-off in April, which could be seasonal but may be the first taste for BMW of the generally weakening market.

One factor which the company believes has helped it in the past, and will do so in future, is the high rate of inflation in Britain, compared to West Germany, which has enabled it to be increasingly competitive on price.

Its answer to fuel economy problems, well ventilated in the media through advertising, is the fifth gear overdrive on the 7 series, and electronic fuel systems, which it claims can lead to significant improvements in fuel efficiency.

In a class of its own, making the £10,000 car look relatively inexpensive, remains a Rolls-Royce, whose prices range from £41,950 for the Silver Shadow II (or the Bentley T2) to £76,120 for the Camargue. However, the company sees itself as being in direct competition with others, although it admits that its prices are rather closer to those of a light aircraft.

The Silver Shadow II continues to be a virtually standard for the chairman of many large companies, and sales in the UK remain stable. Around 70 per cent of sales are to companies, compared with perhaps 50 per cent 10 years ago, and there is no problem with resale values, since Rolls-Royce cars are now regarded as a sound investment.

Despite the inherent weight penalty the Rolls-Royce suffers from, the company is pleased with its recent improvements in fuel efficiency achieved on the Silver Shadow, on which 18 mpg can be recorded at a steady 56 mph.

With around 30,000 Silver Shadows having been sold over the past 15 years, there is little doubt that the car has been a winner, but the recent appearance of Rolls-Royce advertising, a rare event, indicates that even the best products need a little help at times.

Lorne Barling

Image builders hard at work

"WE'D LIKE to take you inside one of the tightest test tracks in the world," runs the start of a current double-page advertisement for the Ford Granada. "In reality, it isn't a track at all, because no test track on earth could produce such extreme conditions."

To capture attention, it describes the 110-miles-an-hour environmental wind tunnel at one of Ford's design and development centres.

"Inside," says Ford, "we can create every kind of climatic conditions on earth. And some that have more in common with Mrs. Temperatures that would blister paint, or freeze antifreeze. Tropical humidity. Or vicious side winds. It was in the wind tunnel that the Ford Granada took shape."

The Granada, claims Ford, is the end result of some of the most advanced technology ever designed for building cars, and it uses the advertisement to describe some of the tests and experiments employed in research, such as subjecting the proto-vehicle to days under ultra-violet light, or idling the engine for hours in sticky heat to check that the fuel doesn't vapourise, simulating Alpine descents that test disc brakes to the limit, or non-stop drives at 120 mph from Calais to Rome and back.

The aim of the advertisement, a vigorous example of the ad-man's art, is not only to communicate the Granada's broad specifications, but to establish, on its behalf, a distinctive personality—one of advanced technological development and quiet, refined, reliable motoring. That is not as easy as it sounds. According to Robin Wright, a director of the Wight Collins Rutherford Scott agency

which since the start of this year has handled BMW's advertising, car advertising, particularly in the executive car sector, is some of the most difficult advertising there is.

There is a lot of it about. Since the end of last autumn's ITV strike, the car manufacturers, both domestic and foreign, have been locked in a struggle. This has shown up in substantial programmes of market investment, dealer incentives, below-the-line promotions, and media advertising.

According to figures from Media Expenditure Analysis, total car advertising, in the 12 months to March 31, 1980, amounted to £52.5m, against £38.2m in the year to March last year.

Even this understates the extent of the honanza, for MEAL monitors Press, TV and magazines but does not include posters, cinema or radio advertising in its totals. According to MEAL figures, car advertisers spent £16.8m in the first quarter of this year, against £10.2m in the first quarter last year.

Tough area

"Car advertising is one of the hardest areas of consumer advertising there is," says Mr Wright, whose agency this year will spend approximately £1.5m on behalf of BMW. "It is all very easy to pour out lists of catalogue specifications, but they catalogue specifications, but the key is to discover each make's own personality, to go beyond the sum of its parts and discover its personality and character."

"This is particularly true of the executive car market. It was virtually invented by Rover,

and was found to be significantly profitable. The trouble is that so many cars in this sector come out of the same identikit specifications manual. The manufacturers read the same consumer research, and tend to produce cars with similar styling, similar performance, a bland sameness of handling."

Naturally, he doesn't believe these drawbacks apply to the BMW range, on behalf of which the agency recently persuaded the actor, Kirk Douglas, to make his first appearance in a television commercial. In part, the BMW campaign seeks to stress the emotional values of the range as perceived by agency and manufacturer.

According to Mr Wright: "Research shows that an above-average proportion of BMW drivers are achievers. They tend to work for the smaller, more entrepreneurial companies, and associate the BMW with their own active values. It is a success-orientated car."

Second, it is sold as a car that is fundamentally enjoyable to drive. A current ad for the BMW 5 Series is headlined: "How many people actually enjoy going to work?"

In addition, and in common with its rivals, BMW is quick to stress its quality engineering, which is why current ads for the 7 Series describe it as the world's "first electronic car," replete with electronic fuel injection, an optional anti-lock computer that permits safe steering even when you've jammed on the brakes, and an electronic key check control.

Mr Wright maintains that would-be car buyers can be too little, but they cannot be too much. He also maintains that a good car can some-

times compensate for a bad advertisement, but not vice versa. And that agencies should do justice to the product: laziness, he says, is the enemy of good car advertising.

One of the problems that agencies face is that brand loyalty among car buyers is invariably high, so that a high proportion of new car sales—typically, 50 per cent-plus—are to buyers who are simply replacing a model of the same type or at least the same make.

In the case of a completely new launch, or even the arrival of a new manufacturer, or importer, there is obviously no base on which to build, and winning sales from rival manufacturers is the whole point of the marketing programme.

Reassuring

But most car advertising involves cars already on the market, and the main purpose of most advertisements is not only to convince those who have never owned a particular make of its specific merits, but to reassure existing owners, or those favourably disposed towards it, that their judgment is correct.

An important secondary job of the car marketer and agency is to sustain total velocity of demand. In any given year, at least twice as many used cars are bought as new ones, so that advertising plays an important role in maintaining demand for the inevitable flood of one owner, good-condition, 20,000-mile, two-and-a-half-year-old cars available each year. Unless velocity of demand for used cars is maintained, the whole system would seize up.

This is why Mercedes-Benz

CHOICE IN THE UK MARKET



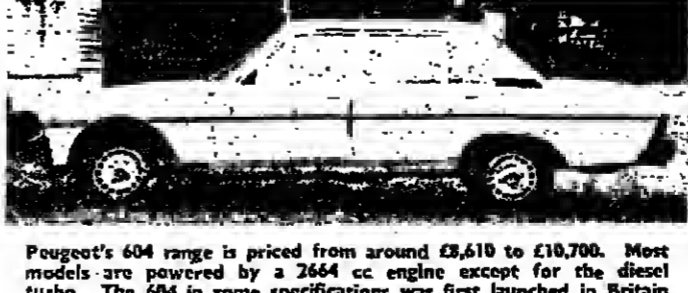
Opel, General Motors' German subsidiary, offers the 2 litre Rekord Berlina HL saloon in the executive class priced at £6,910. Introduced in right-hand drive form in 1976, the model achieves 48 mpg at 54 mph.



In November last year Opel introduced a lower-priced version of the Senator saloon to the UK. The Senator 2.8S costs £8,900. The Senator CD model, at £11,705, is powered by a 3 litre engine and includes automatic transmission as standard.



Peugeot introduced its new 505 range to Britain last year. There is a choice of engines: 1971 cc, 1995 cc, 2304 cc and of specification so that the range is priced from around £6,200 to £7,550. Fuel consumption at a steady 56 mph ranges from 38.2 mpg to 40.9 mpg.

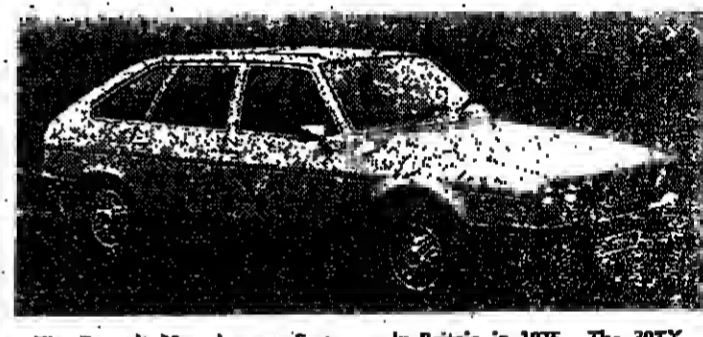


Peugeot's 604 range is priced from around £8,610 to £10,700. Most models are powered by a 2664 cc engine except for the diesel turbo. The 604 in some specifications was first launched in Britain in 1975. The turbo diesel was the latest on the scene last year.



Renault introduced the first versions of its 20 to the UK in 1976, but the latest to arrive—20LS, seen here—was not launched until last year. Prices range from £5,500 for the 20TL to just over £7,000 for the 20TS automatic. Fuel consumption varies between 33.2 mpg at 56 mph to 38.2 mpg.

Lorne Barling



The Renault 30 series was first seen in Britain in 1975. The 30TX illustrated arrived in April last year. Prices vary between £8,000 for the manual 30TS and £9,810 for the TX automatic. Fuel consumption ranges from 31 to 35.3 mpg at 56 mph.



Saab's 99 saloons are offered with a choice of two or four doors and of four basic engines from £5,300 to £8,000 (for the turbo). The range was first seen in Britain in 1969.



The Saab 900 range was launched in Britain in the Spring, last year. Prices start at £6,500 rising to £11,100 for the top-of-the-range five-door turbo. Again, at with the 99 series, there is a choice of four basic engines.



Toyota's 2 litre saloon, the Cressida, was introduced to the UK in 1977. Prices range from £4,500 to £4,900 for the saloon versions. Fuel consumption is 27.8 mpg for the manual version at 29.1 mpg for the automatic at 56 mph.



Toyota's top-of-the-range model is the Crown Super 2.8 saloon, priced at £8,500. Automatic transmission, plus overdrive, is standard and helps the car achieve 30 mpg at 56 mph.

Rental schemes prove increasingly popular

ALTHOUGH CAR rental companies are putting on a brave face, the demand for prestige cars has declined quite significantly in recent months and there are fears that some smaller concerns may not survive the year.

The executive car rental companies can be divided into three broad categories, those such as Avis, Hertz, Godfrey Davis and Swan National, which are large and provide luxury cars in addition to a wide range of others; the more specialised companies such as Guy Salmon Car Rentals and Roverhire, and the small operators which often have other supporting activities such as garages or dealerships.

It is these smaller companies which are now feeling the pinch most severely as a result of high prices for luxury cars, the interest rates they must pay to raise finance for them, and the generally subdued demand for the rental of such cars.

However, as many have other interests they are able to sell off their cars and hopefully return to renting when the market improves, making the best use of their flexibility. This is, arguably, a better option than hanging onto rapidly depreciating cars in the hope of some improvement in business.

One of the major problems of this sector as a whole is falling enthusiasm for luxury cars with high fuel consumption, which has severely depressed resale prices and consequently forced operators to offer competitive rates.

At the same time, large companies (the biggest source of rental business for executive

cars) are holding on to their fleets of company cars rather than selling at low prices, with consequent loss of business for rental companies which would otherwise have filled the gaps before delivery of new vehicles.

Opinions vary on whether there is a trend towards lower engine capacity prestige cars, such as in the Jaguar or Mercedes ranges—many feel that customers want the additional power when renting a high value car, although this must be reflected in charges.

It is clear, however, that there is increased demand for cars such as the 2.8 litre Granada Ghia, which Hertz has offered widely and successfully, and it is felt there is a good future for the Vauxhall Royale in this sector. Overall, less expensive cars with a prestige feel about them are likely to take a larger share of this market.

Hertz, which has concentrated on Ford cars, also reports good rental demand for its Mercedes models, and has recently introduced a computer operated check-in system, which speeds up the return of vehicles considerably, a benefit for the rushed businessman.

Avis, which offers a wide range of models including Rolls-Royces, Mercedes, Porsches, Jaguars, Daimler Chryslers and Gnanadas, believes it has kept rental increases roughly to the level of inflation and despite higher new car costs has maintained its policy of replacing cars at nine months or 20,000 miles, whichever is the sooner.

It, too, has suffered from poor

secondhand prices achieved for these cars, but points out that unless a company has considerable resources (such as its own international business) it is difficult to replace cars this quickly. Smaller companies, with less borrowing power, also suffer from less favourable interest rates.

For the specialist rental companies such as the London based Salmon Rental and Roverhire, high utilisation of cars is proving essential in difficult times and both have the advantage of being the in "wholesale" business, making cars available to smaller operators who then rent them to customers.

Market trend

Mr. Richard Salmon, managing director of the company, believes there is now a strong downward movement in the market towards lower engine capacity Jaguars, Rovers and continental cars and even towards luxury versions of small cars such as the Golf GTI.

He believes that the tight market has caused too much price cutting, with consequent problems, and that operators are now going for cars which will depreciate less. On the principle that the first loss is the cheapest, rental companies which keep their cars longer than usual to offset capital expenditure are likely to face even worse difficulties.

This is also likely to lead to a loss of business he suggests, since customers are able to choose newer cars in a competitive market which offers a wide range of models and prices.

EXECUTIVE CARS VIII

Manufacturers adapt to changing demands

THE SOFTENING in the market for executive cars comes at a time when a number of new models are at various stages in most manufacturers' pipelines. For many, the emphasis is on refinements and improvements in strategic areas such as weight-saving and fuel economy, with the traditional concerns of styling taking more of a "back seat."

For others, such as Talbot, new models on the way are destined to fill long-standing gaps in the range.

Below are listed, alphabetically, some of the main likely developments:

Alfa Romeo—the Alfa 6 will go on sale in the UK next month. A conventional "three-box" saloon, it is powered by a 160 bhp 2.1-litre V6 and has a conventional front engine/rear drive. The "6" goes against current styling trends in having its nose slope rearwards from the top of the bonnet. Its claimed fuel consumption is 31.4 mpg at 56 mph and 15.8 mpg on the urban cycle for the manual version. But the big seller in the UK is expected to

be the automatic, complete with electric windows and air conditioning at an all-in price of about £12,000. Nearer the time of the International Motor Show in Birmingham, a V6 version of the Alfa 6 GTV coupe is expected to arrive. The Alfa 6's V6 being fitted, but up-rated, to provide yet more power.

Also due in a couple of months are revised versions of the small Alfa Romeo models, featuring new wrap-round lighting and humpers and interior treatment, though most likely to interest the younger executive seeking something slightly different are the hatchback versions of the more sporting TI models. These are due towards the end of the year and will be fitted with the twin-carburettor, 95 brake horsepower variant of the 1.5 litre engine, already fitted to the Alfa Romeo Sprint Veloce coupe.

Audi's Geneva Show sensation—the four-wheel drive Quattro coupe—is likely to start arriving in Britain from October, but only in left-hand drive form and at a price of around £14,000. At about the same time, less

dramatic Audi 90 coupes are likely to appear with 1.6 and 2.2 litre engines, in keeping with Audi's declared objective of improving the appeal of its cars to younger buyers.

Audi has felt for some time that it has been losing sales to BMW because of the latter's more sporting image, and that Audi's own "buyer profile" has been climbing uncomfortably high to the age range. The new coupes, plus Audi's substantial investment in motor sport announced last year, are intended to redress the balance.

Future models

BL's future models programme inevitably has been affected by the inter-uncertainties surrounding the company. Long-term planning has been rendered problematical, and the last 12 months has seen something of a reshuffling of projects. Thus, the timing of the introduction of a replacement for the current Rover, codenamed project Bravo, appears to be slipping from the originally envisaged autumn of

1983.

The new car would be smaller and lighter than the present model and would be likely to be offered in more variants than the current hatchback only form. More than one rival believes that the current Rover has missed out on potentially considerably higher sales by not offering "conventional" three-box saloon and an estate version.

The V8, in-line six and a four-cylinder version are likely to be used, with all electronic governing systems to improve fuel efficiency.

BL has made considerable progress with improving the fuel economy of its Jaguar models, of which the Series III XJ saloon was launched last year.

Nevertheless, although the introduction on the big V12 unit has improved its fuel consumption by a claimed 50 per cent, with improvements also in the smaller in-line sixes, the Jaguars are now heavy cars by international standards. BL's problem is how to introduce a lighter vehicle without

losing what is universally regarded as its major asset—a degree of refinement and on-road silence which many motoring journals have compared very favourably with Rolls-Royce. And that means a comprehensive re-engineering exercise and a need for major new investment.

Projects exist to replace both the XJ saloons and the XJS coupe, code-named XJ40 and XJ41, respectively. But the saloons in particular are still selling well, and BL's need to bring into the market as soon as possible its various new cars for the volume sector appears to have pushed the Jaguar programme rather down the league table of BL's priorities.

Much closer to hand is the replacement for the Austin Morris Marina, which is to be discontinued. Mechanically, the name-in-July-Mercedes successor will be little changed from the Marina. But both the interior and the body shape are substantially revised.

The new car should be a major beneficiary of BL's campaign this year directed against "NVH"—noise, vibration and

harshness—an area in which BL has been exposed to mounting criticism of its volume cars, and to which it is responding by a number of sound-proofing and anti-vibration and resonance measures across its range.

With the introduction of the Mini Metro in October may come a revised Maxi, and some time next year probably the long overdue hatchback Princess which is also to receive a facelift and versions of which may include a turbo-charged "XO" series engine on which BL has been working for some time.

This should be joined shortly thereafter by the joint BL-Honda small car and in 1982 by the small medium-sized LC10.

BMW's replacement for its oldest models, the mid-range 5 Series, was originally expected to appear later this year but will not emerge until 1981. The 1.8-2.8 litre engines, in developed form, are expected to be retained along with most major mechanicals, but the body will be more aerodynamically styled and considerably lighter than the existing model.

In the meantime, its top-line 7 Series has been heavily revised mechanically, and the first turbo version, the 745i, will soon go on sale, but not in the UK. Top range cars are being fitted with Bosch's Motronic engine computer, which effectively tunes the engine 400 times a second for maximum fuel efficiency and performance, while also appearing is a cut-out for three out of six cylinders for cruising, both saving fuel and preventing excess wear by exhaust gases "washing" the cylinders not in use.

Competition

BMW is also developing 2.4 litre turbo diesels for late 1981 and later this year will introduce on-board computers for read-outs on average fuel consumption, expected, journey time, and so on. As of this month, BMW is offering its anti-lock braking system on cars sold in the UK, at an additional price of about £800.

Citroen within the next two years should be introducing the GS, filling in the range between the small GS models and the larger CX.

Fiat's top-line Mirafiori model, the Sport, is expected to take a step up market within the next

year with a turbocharged version, with a replacement for the now ageing 132 model further off.

Ford's big event of the year is the introduction this autumn of the Escort replacement, a front-wheel drive car also to be called Escort but it is expected to be some time before whole-sale changes are made to either the best-selling Cortina or the Capri. Ford showed the Altair, a streamlined version of what a future Granada might look like at Geneva, but the company insists that though the next generation Granada might incorporate many of its ideas, it is far from the definitive car.

Lancia's Delta hatchback, a very much up-market mini-hatchback based on Fiat Strada mechanicals, will go on sale in the UK soon.

Within the next few weeks, Mercedes is expected to introduce new versions of its smallest cars, the 300 and 230 series which though unchanged bodily promise to be much more fuel efficient than existing models.

They are likely to incorporate all-new light alloy engines promising proportionately at least as great consumption improvements as in the revised larger "S" class Mercedes, due to make the debut in Britain at October's Motor Show.

Mercedes' recent research has concentrated heavily in this area, and the new "S" class cars, say Mercedes, are 14 per cent more efficient aerodynamically and 10 per cent more fuel efficient.

Further off, Mercedes has project 201—the code-name for its all-new, smaller car, with expected engines of between 1.7 and 2 litres. This has been under development for some years now, but Mercedes plans to produce it at a new factory to be built at Bremen, close to the existing one where it currently builds its "T" series estate cars and commercial vans, and although not officially expected to emerge before the 1983 Frankfurt show, it could make at least a show appearance next year.

Right-hand-drive form in Britain would not be before the spring or summer of 1984. Saab is one of the few companies which is deliberately ignoring the diesel, concentrating instead on more fuel-efficient

petrol engines. Its saloon version of the 900 hatchback car was shown at Geneva and will be available in Britain at the end of the year. Next year it will be fitted with Saab's APC engine. The initials stand for automatic power control, in which a sensor monitors the engine's operation to allow for variations in fuel quality and loading to provide maximum performance and fuel efficiency. Turbo boost pressure is automatically released where necessary to maximise engine life.

Also appearing this autumn, probably making its debut at the Birmingham show but possibly a few weeks earlier in Paris, will be Talbot's main executive car, code-named the C9. It is an important model for Talbot, completing a range which will run in size from the smallest, one litre Sunbeam and Horizon models to the 2.6-2.8 litres of the top C9 models, and in price, from £3,000 up to £11,000 or so.

The C9's smallest, 2-litre format is regarded as a rival for cars such as Vauxhall's Carlton and the cheaper Granadas, while at the top end it is seen as matching up against the Rover, higher-range Audis and Vauxhall's Royale/Opel Senator models.

Described as a handsome but relatively conservative design, it is expected to be built only by Talbot France, and both the 2 litre and 2.7 V6 litre joint Peugeot-Renault-Volvo engine built at Douvrain will be widely employed.

Talbot's only existing 2 litre car—the Spanish-built 2 Litre—will continue to be sold until the C9's arrival and production may continue beyond then strictly for the Spanish market. Meanwhile, arriving in the UK in the next few weeks will be the last of Talbot's Salara range, the 5-speed version of the mini-computer-equipped SX.

Volkswagen now has most of its Jetta saloons in the UK, but a diesel version is still to come. An important new car, the revised Passat, which will be offered in a variety of hatchback, saloon, but also (in line with other manufacturers) at some time later, by a conventional saloon version.

John Griffiths

Buyers seek individual styles

THE MORE it becomes impossible to tell one manufacturer's model from another similar one—hatchbacks are a good example—the faster grow the queues for conversions and convertibles that provide the different and individual touch.

There are, of course, many psychological and practical reasons for the trend. An ageing population waiting once again to feel the wind streaming through its hair, a recapturing of perhaps the remnants of masculinity, possibly a poor engineer trying to brush up his image; or the more practical side, a Lord Mayor wanting a suitably dignified carriage, even an undertaker with a similar requirement for a different occasion.

Rationalisation and what is called the economics of scale have created multinational motor empires that try to cater for all sectors of a deeply researched market. More specialised manufacturers try equally hard to cover the needs of their chosen slices of the market. They do it extremely ingeniously and it now takes quite a time to read through the extras and options available that increasingly encompass the comfort of a travelling lounge or the press-button efficiency of a peripatetic office.

The remorseless march of science has made it not only unnecessary to open a window, but positively deleterious, at least to the air-conditioning system, and the main purpose these days in winding a window down is to ask the way. And the vehicle has been so silenced that a gale force nine is reduced to the merest zephyr and communication with the natural world (other than perhaps through the sun roof) becomes ever more difficult.

Not so with a soft top. Since the old Morris Minor soft top was phased out there have not been so many around, though they are beginning to come back. The TR7 soft top introduced first into the U.S. towards the end of last year, and into this country only in March, has impelled the marque to its highest market penetration since 1977. It was launched as a saloon sports car in 1976 in the UK.

Even more remarkable is the way in which Morgan has increased its following. The Malvern family concern is one of only a handful of enterprises still making bodies on a chassis. As automation in the motor industry increased and chassis became integral with the body standardisation was superimposed on individuality. Only the small or specialist company is left to cater for those who like, and can afford to be different. They are, quite clearly a considerable and, it seems growing number.

Four years ago when Morgan was having to quote five years delivery it expected to see people drop off the end of the queue. Not a hit of it. Today, you will be quoted seven to 10 years for the Ford 1.6 litre or the Rover V8 engine car. If you were able to buy one there should be no difficulty in getting rid of it at a premium. So there is, as with most things in short supply, an element of speculation in the long order book and additionally the Morgan is something of a collector's piece.

The production rate has not moved very much. It is nine or 10 cars a week, half of which are exported, and not nearly enough to meet demand. A barrier to increasing output is to find sufficient of the right class of craftsmen to maintain a balanced labour force and quality standards. About 115 are employed. Many more than that and, it is felt, one would begin to lose the personal family touch which is a critical ingredient in craft work.

Much the same considerations apply to Malleu Engineering, though its efforts to recruit more workers to take production from a current 18-20 to 30-35 a year have been aided by the decision of BL to dispose of the MG works, also at Abingdon. Latent skills that were submerged in mechanised assembly lines have been brought to the surface among new recruits and a new interest aroused.

Malleu is an interesting example of what can be done by someone sporting a gap in the market. Malleu used to race Bugattis at Silverstone before going to America. There he was given a Mark VI Bentley which he redid.

Returning to England in the early 70s, he rebuilt two or three more and a hobby became a business. The starting point is either the Mark 6 or R type, by which some 7,300 were made and the whereabouts of those remaining are known. Each car that comes in is stripped down to the last nut and bolt before being renewed, repaired, rustproofed and re-bodied until it is restored to the cost: around £25,000. A Barchetta, a two-seater, comes a little more expensive at about £40,000. When they go out of the door they hear the Malleu name.

The variety of work is also extending. At the moment, the works is building a Bentley-based Sedanca de Ville, designed by Michael William Towns, who designed Ashion Martin Lagonda's latest extravaganza, the Bulldog. Another recent commission has been for John White, the American design consultant, based on a Chevrolet Comaro Berlinetta. Malleu designed and built the chassis and added the White

designed two-seater body. It took its American how in a New York window carrying a price tag of around £35,000.

Most of this kind of rebuild and conversion is for executives and for export customers. Busy executives also need more practical conveyances for moving about in London and other heavily trafficked cities. The Mini is a popular choice as a travelling office to ferry costly executives across town as quickly as possible.

Even though the model is in its 20th year, its appeal is still strong, and certainly Wood and Pickett, one of the best known converters, are not lacking in customers. Starting as coach trimmers, the company launched into complete car work with the Ford GT 40, a Le Mans winner in its time. Besides, companies wanting suitably appointed Minis for their chief executives, the company numbers theatrical and pop stars among its clientele, some of whom enliven the passing scene with highly original, not to say startling, liveries.

Comes out at £13,735, with £15,841 for a Dorchester and £17,632 for a Grosvenor. The cheapest Rolls is more than £39,000. These Coleman Milne models, together with the Cardinal hearse, have been coming off the lines some 25 per cent faster than nine months ago.

Most manufacturers supply sun roofs, either as standard or an option, in a variety of forms. Tinted glass that absorbs up to 80 per cent of the sun's heat is popular on the top market cars, while steel aliding or fabric folding is more commonly seen somewhat lower down the scale.

For fresh air enthusiasts with money, there is the Aston Martin Volante convertible at a shade under £43,000. Bristol Cars has recently added to its range with the turbo-charged Beaufighter that propels one from 0-60 mph in six seconds, which is certainly going like the wind. The 412/S2 model really is a convertible, since the upper structure can be removed for the summer and replaced for the winter.

A tour round those providing convertibles and conversions reinforces the feeling that this is a sector of the car market most likely to continue growing.

But the dozen of converters is Mulliner Park Ward, Rolls-Royce brought Mulliner and Park Ward together to build the Corniche, and the company turns its hand to practically anything, from a mobile, air conditioned lounge complete with phone and television to a shooting brake or a completely refitted armoured state limousine costing more than £200,000. Such conversions are usually based on a Phantom VI, of

which about 20 a year are made, and of which no two are the same, each being built to customers' individual requirements, down to paint to match the lady's finger nails and as much bird's eye maple, rosewood and burr walnut as needed. Phantom VIs start at £80,000 before much more than a glance has been given them.

A more modest sector of the market, meaning no disrespect to Lord Mayors, Ministers and other important people, is held by Coleman Milne, which even handedly caters for them in life and afterwards. The price

of the mayoral Rolls being what it is, and the shy attitude of local authorities to conspicuous consumption, a growing number of them are settling for extended versions of Ford Granadas that enable tired mayoral (or executive) legs to be stretched without embarrassing the company.

For the seven-seater Dorchester and Grosvenors the interior and transmission of a Granada are removed and 31 in of extra platform and body inserted. This is made on special jigs. A standard Minister

Peter Cartwright

CHOICE IN THE UK MARKET



Vauxhall, General Motors' UK offshoot, offers the Cavalier with a 1977 cc engine. Seen here is the 2000 GLE priced at £5,400. Fuel consumption is 39.8 mpg at 56 mph.



The Vauxhall Carlton was launched in October, 1978. Today's price is £5,840. Engine capacity 1977 cc. Fuel consumption 38.7 mpg at 56 mph.



Also launched in October 1978 was Vauxhall's top-of-the-range Royale, which has a 2784 cc engine. Fuel consumption is 29.1 mpg at 56 mph. As with the Carlton, there is an estate version which costs a little more.



Volvo's 240 series saloons range in price from £6,300 to £8,700. Most of them use a 2127 cc engine, but the 244 GLT (seen here) has a 2315 cc unit.



The Volvo 260 series saloons incorporate a 2654 cc engine. Prices range from £8,900 to £10,500 for the 264 GLE illustrated. Overall fuel consumption is 21 mpg for the automatics and 25 mpg for the versions with manual transmission.

An important niche for four-wheel drive vehicles

THE four-wheel drive vehicle is establishing a special place in executive motoring, due largely to the success of the BL Range Rover worldwide, although competitors are constantly upgrading the comfort of their products in an effort to challenge the dominant position Range Rover has established.

Initial demand in the United Kingdom for the Range Rover undoubtedly benefited from its trendy image, and many were to be found in the smarter suburbs of London, untarnished by mud from country roads or cross country use.

The sporting fraternity was also one of the earliest to discover the benefits of the Range Rover, finding it highly convenient for towing horse boxes and a variety of rural pursuits, such as hunting, fishing and shooting. It provided speed and comfort on the road, while offering almost as much versatility as the previously ubiquitous Land Rover.

As a result, demand soared. BL was unable to meet requirements and vehicles were changing hands at well above the normal retail price. When their popularity rapidly spread to the export markets, the shortage became even more acute.

Within the broad market for executive cars, four-wheel drive vehicles still hold a very small share, although BL believes that the Range Rover actually created a new market which competitors have found difficult to penetrate, particularly in the UK.

Overseas demand

At present, around 3,500 Range Rovers are being sold annually in Britain, compared with about 12,500 worldwide, and this proportion has now stabilised.

However, while UK demand has tailed off slightly probably as a result of increased fuel prices and the comparatively thirsty performance of the Range Rover, overseas demand is as strong as ever.

The strongest overseas market remains the Middle East, where comparatively harsh road conditions and the needs for cross country capability, have made the Range Rover ideal, particularly when owners also demand a high standard of comfort.

Demand from Nigeria has also improved lately, while sales of knocked-down models in countries such as Australia and South Africa have remained good.

A high proportion of overseas sales are, like those of Land-Rovers, to Government,

military or para-statal organisations, many of which place orders in batches, make it essential for BL plants to be able to give reasonable delivery dates.

Customer requirements have also led to considerable improvements in the Range-Rovers specifications. Early problems on noise have now been considerably improved, air conditioning has been made an option, and early problems with the tail gate have been ironed out. Much of the overall improvement in quality is attributed to decentralisation within BL, giving more on-the-spot control over production.

BL has been aware for some time that to maintain its lead in the four-wheel-drive market it must improve availability of its vehicles, and the 18 month waiting period experienced two years ago has now been cut to three to six months on the Range-Rover.

This is due mainly to the company's heavy investment programme involving expenditure of around £250m over the next few years. About £30m of that has already gone into improving such as a new V6 engine line, and the rest will be spent on a new engine plant, new assembly lines and product development. Overall, this will double Land-Rover and Range-Rover production by 1983.

It is perhaps unfortunate that this investment could not have been made some years ago, since orders have undoubtedly been lost as a result of shortages, and competitors have been able to win a foothold in the market, although there is evidence that some are having trouble holding on to it now that BL output is increasing.

In the past year, production has been highly satisfactory to BL, and has only been slowed marginally by the steel strike. A batch of 50 Land Rovers can now be supplied within three to six months compared with 12 months a year ago, and in export market this is important.

Around 60 per cent of all Land Rovers sold are now bought by government or military organisations, and around 75 per cent of overall production is exported. Much of the overall increase in demand for four-wheel-drive vehicles in the past six years has come from the "leisure" market, particularly in the U.S. where the popularity of sturdy but comfortable four-wheelers was surprising to the motor industry. But with the onset of the fuel crisis things have changed dramatically.

As in the U.S., British customers are now increasingly

aware of the high fuel consumption of four-wheel-drive vehicles. BL is therefore working hard on improving the fuel consumption performance of the range-rover, which does around 17 miles to the gallon. It is hoped that this can be improved by 20 to 25 per cent on models which can see will be available within the next year or so.

Faced with the same problems as other producers of cars with high capacity engines, BL is now looking at the possibility of introducing a diesel-powered version of the Range Rover, although the acceptability of a diesel engine vehicle in the UK is not as great as on the continent, due to the smaller price difference when compared to petrol, and the general availability of diesel.

Export prospects

Export potential for both Range and Land Rovers is seen as particularly good in some Far Eastern countries, such as Indonesia and Malaysia, while there are hopes that demand in Latin America not a strong market at present, can be improved through MSA's Spanish company which builds Land-Rovers. It is somewhat surprising that Range-Rovers have not been marketed in the U.S., but with demand still well above output BL appears unwilling to make the major capital investment needed for the vehicle in meeting emission-control and other U.S. requirements.

A few Range-Rovers which have been adapted by other companies have had an enthusiastic reception in the U.S. Range-Rover is estimated to hold 70-80 per cent of the UK market for four-wheel-drive vehicles of its type, although the "market" is hard to define. Initially, there was some concern at the introduction of the Mercedes G-Wagen, but its higher price has meant little impact on the Range Rovers.

There has also been some competition in the UK from the U.S. in the form of Jeep's Cherokee and Wagoneer, and from the French Matra-Saatchi Rancho, but none is regarded as similar enough to the Range Rover to be a true competitor. Subaru of Japan has also mounted an aggressive challenge, recently.

Although BL is not complacent, and believes that its major investment in four-wheel-drive vehicles will consolidate its lead both in Britain and abroad, the problem of fuel costs is persistent and competitors are unlikely to give up trying to come up with something better.

Lorne Barling

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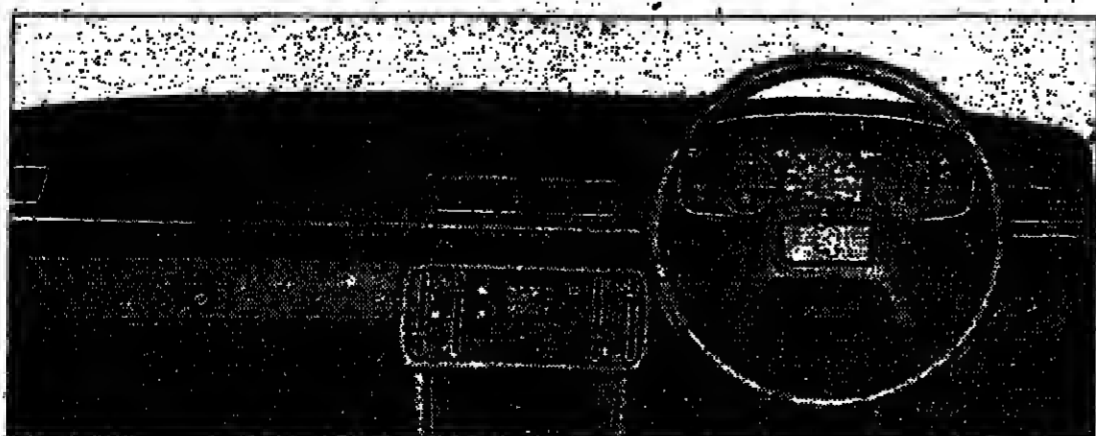
"What the other Experts Say"

"With the 505, Peugeot have achieved their aim to produce a car that has the excellent ride, good noise suppression and comfort of a limousine, but that has the sporty appeal of cars from a marque such as BMW."

What Car?, November 1979

"The 505's main appeal is that it is a particularly well balanced all-rounder, notable for its quietness and comfort."

Daily Telegraph, November 1979



505 GR Dashboard

"Quite simply, the 505 is an excellent motorcar... good at most things, excellent at some, and poor at none."

Motor, November 1979



505 STI Interior

"It is, above all, a well-balanced car: quiet, well-sprung and pleasant to handle."

Sunday Telegraph, December 1979

"Ride and handling of the 505 was impressive. Towcar of the Year 1980, the Peugeot 505 SR."

Caravan, December 1979

"TI/STI with new Douvrin engine is the definitive 2.0 litre four-door saloon."

Car Magazine, December 1979

"As always in a Peugeot, the ride quality is superb."

Financial Times, December 1979

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EXECUTIVE CARS X

Exotic motoring takes many forms

EXOTICA, in motoring terms, can take many forms. In the sense of both product and the undertaking itself, there can be few projects more exotic than that taking shape on the 72-acre site in West Belfast where former General Motors executive, Mr. John De Lorean is employing \$54m of UK Government funds to build his gull-winged sports car.

The first cars are now in pilot production and are destined to go out to De Lorean's U.S. dealers towards the end of this year.

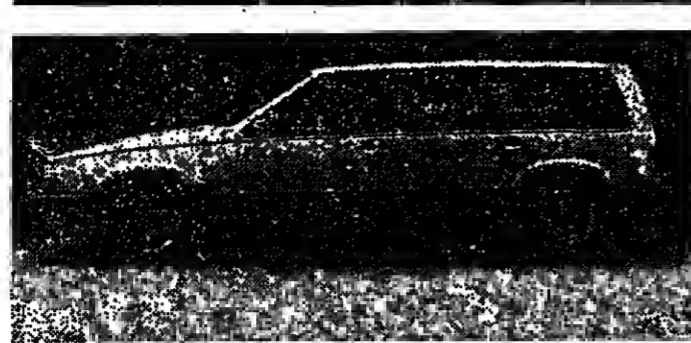
But in a move in which De Lorean is essentially hedging its bets against the severe downturn now taking place in the U.S. car market, the De Lorean DMC 12 as it is called—it has yet to receive its proper name—is also due to go on sale in Europe and the UK early next year.

To date, dealer networks have yet to be put in place, and by any standards setting up such an operation within the planned timescale appears ambitious.

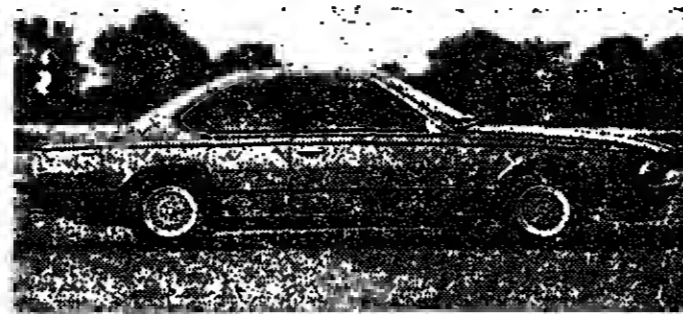
If it does work—and so far De Lorean has succeeded in rolling back much of the criticism first directed at the project by completing both plant and the first cars coughing on time—Britain's old-established specialist makers will be facing up to a potentially serious challenge.

THE DMC 12, a significant role in the development of which has been played by Lotus, is unusual, apart from the gull-wing doors, in having a V6 Renault engine mounted at the rear, with a glass reinforced plastic body, and stainless steel body panels which will remain unpainted.

If De Lorean manages to keep costs under control to the extent of sticking to its current pricing policy of putting the DMC on sale in the U.S. at under \$20,000, it will be in the UK could put it in close competition with those of Britain's existing specialist



The Porsche 924 turbo (top left); the BMW 635 CSi coupe (top right);



the Volvo concept car (lower left) and the Ford Granada Altair (lower right).

makers who have managed to survive the major shake-out which followed the 1974 oil crisis.

Among some of those who have survived, retrofitted into fixed production volumes and the abandoning of non-essential projects has induced some modicum of stability. Even so, it is a precarious field, as done in which new competition is hardly welcome.

Phenomenon

Their survival in itself is a phenomenon unique to Britain. And their presence does leave the British executive looking for something out of the ordinary for a price up to £12,000 rather better served than his counterparts in most other countries.

While Lotus has moved steadily up the market since Colin Chapman's early days as

a builder of kit cars—the "cheapest" Edalat now costs £18,000 and the range extends up to the recently introduced Esprit Turbo at £20,800—the highly traditional Morgan two-seaters remain within the £5,500 to £8,000 bracket. Demand for them remains sufficiently high that their production of just a few a week has led to waiting lists extending over several years.

Panther Westwinds, based at Byfleet, Surrey, ran into trouble at the end of last year and is in receivership, but is still producing, among more exotic vehicles, its Lima and Lima Turbo vintage-style two-seaters and discussions are going on with at least seven parties interested in taking the company over as a going concern. The Limas, powered by Vauxhall's 2.3 litre unit—Panther has a long standing, close

association with Vauxhall—sell within the £8,500-10,500 bracket.

Panther also builds £30,000 vintage-type cars, notably the J72, and has recently started work on the next production model of its Panther 6—a six wheeled "supercar" said to be capable of close to 200 mph.

And demonstrative of the sometimes topsy-turvy world of the specialist makers, as a company in receivership it has also started assembling the MF 3000 sports car for Thames Ditton-based AC Cars.

The MF 3000 was one of the most exhibited cars of the 70s, without actually going into production until last year. Now, AC is moving factories and has had to cut its output to a couple of cars a week, so Panther is helping out. The AC car is now available to order at a price of just over £18,000.

Two months ago, Reliant

whose staple over the decade has been the estate-car styled Scimitar GTE, a V-6 Ford powered vehicle with a glass fibre body, also launched into the open two seater market.

Body re-styled

Though based on the GTE, the "GTC" is not simply the estate car with its roof cut off: the body has been comprehensively re-styled by Gile Design (responsible for the original GTE) and the car has been fitted with the German-built 2.8 litre Ford V6 unit instead of three-litre British Ford V6 installed in the GTE. Both manual and automatic versions cost a fraction under £12,000.

The turn of the year also saw the passing of one of the longest-surviving and steadily improved of all British sports cars—the TVR 3000M, its hexan life at the end of the 50s and

by the time of its phasing-out in February had grown from a basic 1.1-litre closed two-seater, into coupe, hatchback and convertible forms, the latter with a turbocharged V6 Ford capable of 140 mph.

Those cars have been replaced by a single model, the Tasmin. A two-seater coupe, it has met with a very favourable reception from the motoring journals and appears almost inevitable that convertible and turbocharged versions will follow.

TVR has invested about £1m on the new car at its Blackpool works, a substantial sum for a small company which has set a firm ceiling on production of about 300 units a year. Its managing director, Mr. Martin Lilley, has vowed to avoid what he sees as the fearful pitfalls of expansion to which other makers have been tempted, only to suffer severely when the market has turned down. Production is now well under way, and the Tasmin, which is also being sold throughout Europe, has a retail price in the UK of £12,800.

Perhaps one of the most exotic and anachronistic specialist British cars of all, is sold as a kit out of Caterham in Surrey. When Colin Chapman started his move up-market with the Lotus Elan and Europa at the start of the 1970s, Caterham Cars took over the rights to the original Lotus Super Seven.

They discarded the most "modern" version, the Series IV, in favour of the original design first launched in the 1950s—and have been shipping them all over the world in kit form ever since. With 126 bhp in a car weighing little over 11 cwt, for £5,500 this diminutive sloopish accelerates from a standstill to 60 mph in about six seconds, which is faster than nearly all of the Ferrari, Maserati and other "supercars".

John Griffiths

CHOICE IN THE UK MARKET



Fiat's "flagship" of the range is the 132 "2,000", introduced to Britain in August, 1977. The 1995cc twin OHC engine has been developed from the familiar 1600 and 1800cc Fiat units and gives considerably more torque at low speeds and also offers good fuel consumption. Average fuel consumption at 56mph is 33.6mpg. The current price is about £6,100.



Fiat can justify its claim that the Supersport is an "executive" saloon even though it has a 1600cc engine. Price is £4,890 and fuel consumption 44 mpg at 56mph. The Supersport (illustrated) does have a 2 litre engine. It was launched in the UK in October, 1978. Priced at £5,500, its fuel consumption is 32.2mpg at 56mph.



Volkswagen tackles the executive car market in Britain with the Audi 100 series. The range is offered with either a five-cylinder 2.2 litre engine or the five-cylinder 2.2 litre engine with fuel injection. Prices vary between £6,200 and £10,400. The new Audi 100s were launched in Britain in January last year.



Lancia, Fiat's "up-market" subsidiary, would claim that all its cars come into the executive category. The Beta range—the four-door Sedan as illustrated—offers a choice of either 1600cc or 2000cc engines, as do all the Lancia models. Prices range from £5,400 for the Beta 2000 to £7,500 for the 2 litre Beta HPE (for high performance). The 2 litre Sedan and HPE achieve the same fuel consumption—41.5mpg at 56mph.



The Lancia Gamma is available in two versions, the Gamma Berlina, a four-door, five-seat saloon, costing £7,950 (shown here), and the two-door, four-seat coupe called the Turismo, priced at £9,950. Both have 2.5 litre engines. Fuel consumption at 56mph is 33.1mpg for the Berlina and 32.4mpg for the Turismo.

David Freud

A three-year boom in car leasing

IN THE last three years, car leasing has boomed and—hardly surprisingly in any area of rapid growth—the rules surrounding the practice have been changing just as fast. There are now signs, however, that the main phase of expansion has come to an end and that the tax rules have been rewritten in a form that should prove relatively durable.

The popularity of leasing has been based on the tax system, which since 1972 has allowed buyers of assets to claim 100 per cent relief in the year of purchase. Businesses such as banks, which would not normally buy anything like sufficient assets to match their profits for their own use, soon began to buy the assets and pass them over for the use of manufacturers and others through a leasing agreement.

In practice, this meant that the investment incentive was shared, through the rates, between the lessor who was deferring his tax liability until he had to pay tax on his rental income, and the lessee for whom the rental would be much lower than the interest burden of buying outright.

The growth rate for all leased assets is indicated by the figures of the Equipment Leasing Association, whose membership is dominated by the big banks and which claims to account for about 80 per cent of the market. In 1971, annual leasing undertaken by

ELA members was £159m; by 1976 the figure had risen to £421m; and in 1979 it was £1.8bn.

Car leasing was slower to get off the ground than leasing of plant and capital equipment. But the way was cleared by two decisions of the special commissioners for taxation in July 1975 in favour of Godfrey Davis and Ford Credit. These ruled that cars could be treated in the same way as any other equipment under the capital allowance provisions of the 1971 Finance Act.

Combined with the looser credit controls introduced in July, 1977, this allowed car leasing to take off. From £6m in 1976, ELA figures put business at £37m in 1977, £343m in 1978 and £468m in 1979.

Company schemes

The Inland Revenue particularly disliked some of the fringe activities that went on as car leasing mushroomed. Essentially its dislike was centred on companies which offered schemes under which the car ended up in the hands of the employee or director after the leasing period—typically at a sale price of 10 per cent of the original cost.

At the same time, there were doubts in the Treasury whether a policy designed to reduce the cost of capital investment could be permitted to reduce the cost of motoring in-

discriminately.

There was a two-phase attack from the authorities. In the first, the Revenue moved to discourage what it considered fringe leasing. In the summer of 1978 it warned explicitly that it would disallow tax claims under the fringe schemes when they were eventually made under the existing legislation.

It would do this in a variety of ways, it said. It might deny the company which leased the car tax deductions for the rental payments; or executives could be taxed under the fringe benefits legislation.

Finally, it might hit at the leasing company itself. It could do this either by obliging the lessor to bring the full market value of the car on sale into its calculations of capital allowances, or if the agreements always led to sales to executives, it might argue that the car was not a capital asset, but stock in trade, and did not, therefore, qualify for capital allowances.

Government measures to control car leasing were taken a step further in the following Budget, in 1979. The rate for first-year capital allowances was reduced from 100 per cent to 25 per cent, putting the allowance on the same basis as the directly purchased car. The Chancellor, Sir Geoffrey Howe, said the discrepancy had "resulted in a loss of tax which

is currently running at about £175m a year; and which could well rise to £200m if I take no action."

The immediate result of this change is difficult to quantify, although those specialists in passing on the residual value of the car user have mostly switched to other activities.

The ELA figures, recording a peak for 1979, do not give any breakdown of performance over the two half years. However, the indications are that significantly the greater part of the business was done in the first half.

Allowance rate

The reduction in the allowance rate has probably helped to switch the direction of the UK leasing market more onto U.S. lines, where 80 per cent of fleet cars are estimated to be run on operational leases—effectively a combination of contract hire and leasing. That the UK market has a long way to travel is suggested by the fact that four-fifths of the company cars on the roads are probably self-financed and operated.

However, while ordinary car leasing was stagnant in the second half of the year, companies offering operating leases were enjoying a boom. PHH, one of the companies providing a fleet management service, says that its business doubled in the second half. At the same time, the old contract hirers, such as Interleasing and Dial Contracts, have moved into the

management field.

With the tax advantages of the pure lease reduced, and with it the attractiveness of the price, the advantages of the operational lease, which combines the better cash-flow of the financial lease with the management saving benefits of contract hire, come into their own.

The lessee pays the leasing rental regularly, is billed for repairs and maintenance and retains the residual value. The main expense is the commission, but this is typically smaller than the saving that can be made by using the services of a large specialist.

The specialist has much greater buying leverage than even a single company, since the company's requirements will be spread across dealers throughout the country.

The other advantage comes on maintenance. Dealers welcome the company fleet because,

generally, the cars are not so well supervised as those owned by private individuals. A large specialist managing company has professionals to check for work done. It is also able to compare operating data across a much broader range.

Meanwhile, in its second Budget, the Conservative Government has passed more legislation to control the leasing market. This time the main changes were directed at leasing abroad and to tax exempt bodies and consumers. Individuals can no longer enter the market as lessors, while there will be controls on exactly what can be leased for the first time. These measures imply that the Government has now drawn strict boundaries within which leasing can operate unhampered and that these rules will remain relatively unchanged in the future.

David Freud

'Buy British' campaign comes under fire

BL'S "BUY BRITISH" campaign has attracted a fair degree of criticism from those who believe that unless the company—and British industry as a whole—can compete on equal terms with the best foreign manufacturers, then buying British will merely conceal a decline in overall competitiveness.

The result, in the case of cars, would be the need for import controls to protect the British motor industry from imported cars, which may be more desirable to the public than those made domestically.

However, BL believes that its enormous investment programme will make it highly competitive within a relatively short time, and that in the interim, the British public should act in the country's interest by buying its products.

In the executive car sector, BL's message is already well understood, since the great majority of its Jaguar and higher engine capacity Rover cars are sold to companies, many of which have pursued Buy British policies for many years.

Dozens of companies in the Midlands, for example, would hardly dream of buying foreign cars, since the area is dominated by BL's enormous buying power for components and materials. Not only has it been a matter of good business principle to buy BL (or other British cars),

but customers have generally been satisfied with their products. Those who have not have voted with their feet and bought foreign cars.

BL's message of "Combining Judgment" leaves the customer with the very clear option to exercise his opinion about BL Cars. Unfortunately, it is not possible to clearly identify the corporate response to the "Buy British" campaign, since sales of BL executive cars to companies are not specified in recent figures.

The improvement in BL's overall position in the UK market following the start of the campaign, its competitive prices, and its efforts to improve a number of aspects of after sales service, appears to have been a cumulative outcome rather than one which can be attributed to advertising alone.

There is no doubt that British industry as a whole has benefited from the broad scope of BL's advertising, which has pointed out a whole range of manufactured products where a progressive increase in imports has led to the virtual end of some British industries.

However, it has also clearly illustrated that whatever the consumer will seek value for money, apparently regardless of the consequences for industry and the country as a whole. Critics within the motor industry would also argue that the recent improvement in BL's

sales performance, owes more to its competitive prices than to the customers' desire to buy a British product.

BL has also been taken to task for buying foreign manufacturing equipment for its new Metro production facilities, but this has been countered with the argument that it could not buy comparable equipment from a British source.

The increasingly international nature of the motor industry, does, in any case, make it much more difficult for the customer to know whether he is in fact buying British. This applies even more widely in the components industry, where an item may bear the name of a British company, but be manufactured abroad by one of its subsidiaries.

Most UK-based motor companies now have an increasing proportion of foreign components in new cars, the latest example being the new Talbot Solara, which is 65 per cent British-manufactured. However, the significant inroads which British motor components manufacturers have made into foreign markets, does much to offset this adverse trend.

The policies of the major component companies such as Lucas, which is constantly increasing its presence overseas through direct sales and manufacturing, are likely to complicate the matter even further through the re-import of their

products on foreign cars. The most striking example of this is the high British components content in Volvo cars, which has successfully been used in advertising to appeal to the patriotic British buyer.

Although Ford has recently been importing a high proportion of its cars, mainly from Cologne, where Granada and Capri are made, and from plants in Belgium and from Valencia in Spain, this has been because demand could not be met from British factories.

The company argues that it cannot allow sales in the UK to be lost for lack of vehicles, and that a fair amount of the components in these cars are in any case manufactured in Britain. It believes that with overall demand for cars now slackening, its UK plants will be better able to meet demand and imports will be curtailed.

Overall, the inability of British-based motor companies to have cars available at times of high customer demand, is seen as a major factor in the rapid increase in the volume of imports over recent years.

With the market now moving rapidly into over-supply, there is a valuable opportunity for UK manufacturers to regain some of the lost ground, although there are fears that importers have not established such a strong presence that it will be impossible to do so.

Lorne Barling

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EXECUTIVE CARS XI

Increasing demand for in-car telephones

IN-CAR TELEPHONES have become increasingly popular among executives during the last few years. In London alone, about 1,500 people have been waiting to join the service. The manual service, which has been operating in London since 1963, is full to capacity with 3,300 users, but the Home Office, which allocates the radio frequencies, could not give the Post Office any more air-space to further extend the system.

Thus, the Post Office has used a technique to squeeze more telephone conversations on the same number of frequencies which will eventually accommodate those now waiting to join the service. At the beginning of May, the Post Office began to implement its improved service which has totally automatic dialling and does not require operator assistance as does the present manual system.

The Post Office says that those joining the new automatic carphone services can dial directly from their cars in any of the 25m telephones in Britain. In addition, international calls to 90 countries can also be dialled direct.

Expansion plan

The introduction of the system will initially speed up communications in the London area, but the Post Office intends to gradually expand the service throughout the country. The manual service covers all the UK's main industrial areas in the Midlands, South Wales, the Severnside, Lancashire, Tyne and Wear, Edinburgh, Glasgow and Aberdeen.

It costs £100 a quarter to use the automatic system, exclusive of VAT. The charges for phone calls are based solely on the duration of the call, irrespective of distance. During normal working hours (8 am to 6 pm) the rate is 33p for 8 seconds, while the cheap rate is 33p for 15 seconds.

Customers can rent or buy radio equipment for their vehicles from three authorised suppliers, Marconi Communications Services, Pye Telecommunications and Sarnia, who arrange to instal and maintain the mobile equipment.

Although not strictly termed "in-car communication," radio paging is becoming an increasingly popular way of keeping in contact, while on the move. Most countries offer radio pag-

ing systems for use within specific areas or on a country-wide basis.

The UK Post Office announced last month that it was to start a new radio paging system later this year. It says that, when fully operational in 1982, it will be the largest radio paging system of its kind in the world.

Users of such a system carry cigarette-sized receivers which beep when a telephone call is made to activate it using a unique 10-figure number. Calls to activate the pager can be made anywhere in the country and such calls are free.

About 30,000 radio pagers are now used on the Post Office's network in London's Thames Valley area. In April, the Post Office ordered another 70,000 pagers at a cost of £6m. Services are also available in Aberdeen, Birmingham, Bristol, Cardiff, Glasgow, Liverpool and Manchester.

The new service will mean that the country is split into 40 zones. The radio transmitters used to transmit the signals to activate the pager in each zone are controlled by a special network of computers. The Post Office says that customers can select the zone in which they wish to be paged. Paging can be restricted to a single zone or extended to cover the whole country.

People who have pagers capable of being contacted over the entire country will be able to have two separate numbers so that they can be called from two different places, such as the home or office. Pagers with this facility, called "second address," give different beep tones to distinguish where the calls have been made. Another is called "group calling" which allows up to 99 people to be paged by a single call.

When the computers start operating this year they will initially take over the existing services. Only those in the Thames Valley area will have to obtain new pagers from the Post Office. All others will work without modification.

There is a charge of £5 to join the Post Office system. Pagers cost £7 a month to rent for a single zone. National pagers cost an additional £1 a month for every extra zone outside the nominated home area. The facility for "second address" is another £3 a month

while group calling adds £5 to the total bill. These costs are exclusive of VAT.

There are occasions when motorists do not need direct communications with the office which is afforded by car-phone and pagers, but they nevertheless need to be kept informed of motoring and weather conditions which could hamper the smooth progress of a journey where an important business meeting is arranged at the destination.

Another system, still very much in the early stages of development, is being developed by the BBC. This is a radio information system for motorists, and is called Carfax, which is a radio equivalent of its television information service, Ceefax. But Carfax will provide traffic information specific to motorists who will require a special receiver to use the system which can alert a driver that he is approaching

a difficult area and should avoid it. It is even possible to mate the normal radio music so that a Carfax message can override it. The BBC says it will even be possible to transmit in several languages so that foreign motorists will be able to benefit from it. However, it will take several years before the system becomes universal.

As well as the Post Office's car-phone system, there is

already a large number of companies using private radio services which are similar to those used by taxi drivers around London. There has been a great demand for the growth of mobile radio systems in the UK and throughout Europe.

In Britain, much of the growth has been hampered by the lack of suitable radio frequencies. The radio bands which are used by mobile radio, are also needed by other users,

such as television services. Post Office restrictions on the approval of equipment have held up development in mobile communications in the past.

However, the relaxation of Post Office regulations means that manufacturers are looking forward to providing more facilities and expanding private systems, with the further possibility of linking up with the public telephone network. Securicor, for example, is

now able to connect its mobile radio subscribers in nine industrial centres in the UK to the national and international telephone networks. Two more areas opening shortly.

Securicor claims it is the largest direct speech facility offered by any organisation in Britain. The company also offers a Relayphone service for passing messages and information.

Elaine Williams

New rivalries in sports car sector

THERE WAS a time when the concept of a sports car was clear cut: it had two seats, was open to the air, required the owner to possess some of the qualities of an all-in wrestler to erect the hood and, on all but the smoothest roads, he required dentures to be cemented firmly in place.

The edges of the sports car concept have long since blurred: with few exceptions, the sports car has become the sporting car. As suspensions became increasingly refined, and more power became extractable from ever-smaller engines, go "traditional" sports cars, such as the MGB, found themselves consistently outmatched in performance and handling by a new generation of coupes and even saloons, such as VW's fuel-injected Golf GTi.

For a time, in the early 70s, it looked as if the very concept of an open car was doomed. Legislation against open top cars on safety grounds appeared to be looming in the U.S., and without a U.S. market — it traditionally has taken three-quarters of British sports car production — the traditional sports car had no future.

The threat receded — but not until after the then-new Triumph TR 7, designed originally as a soft-top, had been reworked with a steel top and the styling which has been controversial ever since.

Last year, that situation was remedied — the open version, with a reprofiled lower rear bodywork, went on sale there and, this spring, also was launched in the UK.

At a price of around £5,000, the five-speed hard and soft-top

versions now available to the UK have been acclaimed as much improved vehicles over the original four-speed version launched four years ago.

Some question marks still remain over just how assured its future is within the swirling currents at BL. But the V8-engined version is due to go on sale in Britain later this year — which, however, may not happen in the unlikely event of demand for it in the U.S. running too high — and the O-series engine, possibly turbo charged, may be introduced into it at a later stage. Thus BL could stand to gain sizeable sales for a car which with performance which in V8 form would be verging on the "supercar" bracket for a price likely to be well below that of its competitors.

In any case, BL's direct competitors in the open car bracket are few, and almost entirely British. The notable exception to this is the £5,500 Fiat X1/9, a mid-engine sports car with a detachable "targa" top which has sold well in both the U.S. and Britain.

With the ending of production of the MG Midget and Triumph Spitfire two-seaters, BL is thus abandoning the "cheap" sports car market. But subject to the BL-Aston Martin consortium deal being finalised, the MG B will live on, with the O-series engine installed from the end of the year, and it is the consortium's intention to have an all-new MG ready for the market by about 1983.

With the passage of time, however, more and more younger, well-off executives have been wooed to the civilised, but still very much sporting,



Datsun's 280ZX sports coupé costs £9,000

enclosed vehicles offered by makers such as Porsche, Lotus, Lancia, Datsun and Mazda.

The traditional Porsche models, the 911 versions, are now expensive cars by any standard: the most basic, 911SC version now costs over £16,000. The 924, introduced in 1977, was a major departure for the company in abandoning the rear-engine, rear drive for a front-engine, water-cooled model, but the 924 has since gone on to become the company's biggest seller by a large margin. At a basic price of £9,500, it has brought a Porsche within the range of the company executive buyer.

With the launch last year of the 924 Turbo, a 140 mph version which retails in the UK at £13,600, and more recently

still the larger V8-engined 928 S, Porsche now has a model range covering a large sector of the market, extending up to its 3.3 litre 911 Turbo at £38,000.

Proving that the Wankel rotary engine concept is still very much alive and kicking, Topor Kogyo last year began shipping to the UK its Mazda RX 7 sports coupe, a twin-rotor machine which appears to have overcome many of the fully justified criticisms applied to earlier Wankels of excessive fuel consumption and short engine life. Priced at £8,500, its overall fuel consumption of about 20 mpg is nearly double that obtained from some of the very first Wankel products imported in the mid-70s.

Meanwhile, Talbot's Matra Sagheera, surely the world's most unusual mid-engined sports car in having three seats abreast, is being reworked with a larger 1.6 litre engine against the 1.3 litre unit currently being used and which has led to criticism of it as being a sheep in wolf's clothing. But it has not been imported to Britain for two years, and expectations in some quarters that it might re-emerge this summer in right hand drive form (it was never converted when on sale previously) do not appear to be about to be realised.

Datsun's contender in the sports coupe market has changed considerably from the muscular 240Z two-seater introduced in 1973. In its latest 280ZX form it is an altogether heavier, more luxurious pro-

duct and at £9,000 has become more of a long-legged touring than an out-and-about sporting vehicle.

Expected to arrive in the UK soon is another contender in the higher performance sports coupe bracket, a revised Lancia Monte Carlo coupe. This agile two-seater was first launched in the UK three years ago, but was subsequently withdrawn for improvements, and a turbo-charged version is one future possibility.

Another new car which may emerge this year is a spyder open top version of Honda's Prelude coupe, first launched in the UK last year. Priced at a little over £5,000, the Prelude does not really rank as a performance car, but it does typify the increasing popularity of sporting type vehicles exemplified by Ford's Capri.

An important contender in this field was announced by Renault earlier this year and will arrive in the UK this autumn. The car is the Fuego, and as Renault has pinned hopes of taking a very large slice of the European sporting coupe market.

It will be offered with a wide range of specifications and engine choices, ranging from a 1.4 litre, 64 bhp fitted in the Renault 14 to a 2-litre, fuel injected 110 bhp unit providing a top speed approaching 120 mph.

Prices have yet to be decided, but it is for sale in France at FFc 48,000, and thus can be expected to prove a fierce rival to the similar products of Ford and General Motors.

John Griffiths

We've elected another Senator to our exclusive range.

Just over a year ago, the 3 litre Opel Senator CD joined the elite ranks of truly exclusive cars.

And Car magazine said, "Do the much respected Mercedes-Benz 280 SE and BMW 730 have anything to fear from the sleek new Opel Senator 3-0? You bet they do!"

And they did. The Senator was acclaimed in this country. One tribute among many being Autocar's Top-of-its-Class for 1979. So much so that we've now introduced a new 2-8 litre version.

But the winning formula still persists. Senator 2-8S £8,887.

The six-cylinder engine is capable of an effortless 0-62 in 10.5 secs, and a decidedly tempting top speed of 118 mph. (Manufacturer's figures.)

Inside, the mood is one of sheer

opulence. Velour upholstered seats, velour carpeting, and tinted, electrically operated windows.

When you get behind the wheel (power assisted, of course), you'll be cosseted by everything that can transform modern motoring from an ordeal into a pleasure.



Senator 3-0CD £11,705.

The 3 litre Senator CD offers extra luxuries for the most discerning — automatic transmission as standard, front-seat heating and height adjustment, full instrumentation and driver information systems, centralised locking and of course that little extra

that the 3 litre engine with fuel injection delivers, 0-62 in 10.5 secs, and an amazingly smooth top speed of 127 mph. (Manufacturer's figures.)

Perhaps the best news is the price — £8,887 for the 2-8S and £11,705 for the 3-0CD. And we think one test drive will convince you that the Senator is a lot of car for your money.

Next move is to write to the Opel Information Service, P.O. Box 2, Central Way, Feltham, Middlesex TW14 0TG for the name of your nearest Opel dealer.

And we'll take it from there. Prices correct at 27 February 1980 include seat belts, car taxes and VAT.

Delivery and number plates extra.



SENATOR by Opel

Handwritten text in a box: "Handwritten signature or note."

1980.

Mercedes 200	£8394
Ford Granada 2.3GL	£7693
Audi 100L 5S	£6690
Renault 20TS	£6668
Rover 2300	£6576
Volvo 244DL	£6274

1984.

Let's assume the year is now 1984.

Four years ago you bought a new Volvo 244DL. At the time it seemed a pretty good bet.

In terms of performance and space there was little to choose between the Volvo and its rivals, give or take a few seconds and inches.

In terms of equipment the Volvo couldn't be faulted; headlamp wash-wipers, a tachometer, a heated driver's seat and 4 inertia-reel seat belts all came as standard.

And the Volvo did cost substantially less.

Looking back to 1980, do you still believe you made the right choice?

Well, if all the surveys by motoring magazines and consumer organisations hold true, you will have no regrets.

Time and time again the Volvo has come out as having fewer breakdowns than the average car, fewer major faults and fewer days off the road.

Or to put it another way, less expense for the Volvo owner.

So even if Orwell's vision of 1984 has become fact, at least you'll have one thing to smile about.

AND BEYOND.

Many a car begins to show its age after 4 or 5 years' hard use.

Yet at this point a Volvo isn't even approaching middle age, let alone retirement. Statistics compiled by the Swedish Government show that Volvos last longer than any other car tested, giving an average of 17.9 years' service before that final journey to the scrapyard.

Obviously we're not suggesting you keep your Volvo this length of time.

But we are pointing out that their reliability and durability is well-known amongst those looking for a second-hand car.

Consequently, used Volvos tend to fetch a very good price indeed.

And there's nothing like a big cheque to soften the blow of parting with a car that's given you so much faithful service over the years.



VOLVO. A CAR WITH STANDARDS.

(PRICES ARE FOR MANUAL VERSIONS INCLUDING CAR TAX & VOT. THE CURRENT RATE) FOR THE 1980 EDITION OF VOLVO FACTS WRITE TO: DEPT. FT21, VOLVO CONSUMER SERVICES LTD, LONDON NW9 5BA. PRICES FOR THE NEW 1980-200 SERIES START FROM £6274. (DELIVERY & NUMBER PLATES EXTRA). ALL PRICES CORRECT AT TIME OF GOING TO PRESS. SALES TEL: HIGH INCOME (0484) 33466. SERVICE TEL: IPSWICH (0473) 72026. PARTS TEL: CRICK (0788) 82360. SOURCE: SWEDISH MOTOR VEHICLE INSPECTION CO. 1978.

Techniques to fight tomorrow's wars

By DAVID FISHLOCK, Science Editor

THE ROYAL NAVY, at its Portsmouth research centre on the cliffs above Portsmouth, is constructing a facsimile of the operations room of a warship of the 1980s. By 1982, at a cost of £3.5m, admirals will be able to fight naval battles under very convincing conditions, without firing a shot. The computers will faithfully record each decision and bow every one in the ops room down to the lowliest rating performed under fire.

The idea of a command systems laboratory in which scientists can simulate naval battle tactics was born of the fast-growing difficulties of the last two decades in trying to automate warships.

Systems designers have not been clever enough yet in marrying men and machines in conditions where the men are constantly at risk of being drowned in information. Under such stress, operators fail to use the automated system in the way the designer intended. And we can talk to naval staff and operators and get quite different stories about what was happening, says Mr. Ken Slater, director of the Admiralty Surface Weapons Establishment.

The key, the scientists believe, is to strike the right division of labour between man and machine. Computers can sort out vast quantities of information from the radars and sonar "eyes" and ears of a ship. But they can do so only by working to pre-assigned and inflexible rules, says Dr. B. R. Gladman, in charge of human factors research at Portsmouth. "They cannot process meaning." Men are good at discerning patterns—at discovering the meaning of novel situations. Men can fathom the meaning of ambiguous patterns of data, and adapt quickly. But they are easily overloaded—and then the whole man-machine relationship breaks down.

The Navy's problems in marrying a man and machine harmoniously are felt most acutely in the command systems of a warship or task group. Here they are trying to tie many disparate parts of the battlefield into one picture and wage war with one unified fighting system. But the basic problem is common to the latest technology of all three service arms, where the complexity of electronic systems has outstripped man's ability to keep pace. To take a simple example, a Jaguar pilot has nearly twice as many control switches to operate as a Hunter pilot—and today we are talking of replacing the Jaguar.

Human factors research—man-machine relationships—is expanding to become part of the Ministry of Defence's £200m research budget (out of a total R and D budget of £1.5bn this year). Professor Ronald Mason, the ministry's chief scientific adviser, is making every effort to bring Britain's considerable academic expertise in human factors to bear on the daunting problems of fighting tomorrow's wars. So complex are the systems now being explored for fighting machines of the 1990s—the proposed European Combat Aircraft to replace the Jaguar, for example, or the new anti-submarine helicopter to replace the Sea King—that there is a real danger of the pilot crumbling under the demands of battle.

But the answers Professor Mason is seeking for more harmonious man-machine relations are important for the future of automation in industry, commerce, government and elsewhere. The Navy found in its earlier efforts to automate its ships the same sort of problems which have caused all the trouble at the Ministry of Transport's vehicle licensing centre at Cardiff.

In Britain, the Ministry of Defence was the pace-setter in man-machine relations even before the computer arrived. In those days it focused on what might be called the "clinical" aspect of military service; how far a man could be pushed physically in terms of what he could wear in protective "armour", how much he could carry, how well he endured complex patterns of motion.

These problems have certainly lessened. The Chemical Defence Establishment at Porton, set up after the first attack with gas on Allied troops in World War I, spends about £7m a year trying to protect the serviceman from a potentially very hostile environment, which could include nuclear radiation and biological and chemical agents (NBC). In chemical defence, it is a world leader, claims Dr. Rex Watson, Porton's director. German war records show that Porton's expertise

"We're trying to protect against death—and you can't simulate that"

was a significant deterrent to Germany using chemical warfare in World War II.

Its so-called "NBC suit", about to be issued to the Navy, can amount to 100 lb or more of modern armour, including respirator, bathtubs, gloves and boots. It plays havoc with the serviceman's ability to hold a map. The most advanced version could give him protection against NBC for as long as a month, Porton's scientists say. All three services are to have the same basic armour.

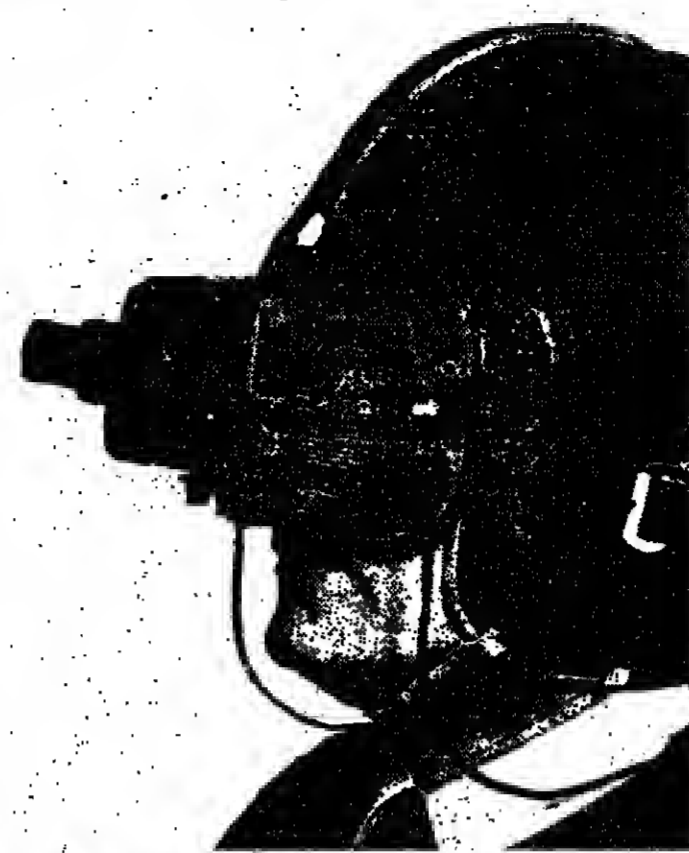
Meanwhile, Porton's medical staff is putting a promising pill which, if taken beforehand, could help the serviceman survive an assault by nerve gas. Their big problem now is how

to test it realistically. "We're trying to protect against death—and you can't simulate that."

At Farnborough, the Ministry has a research centre specialising in man's frailties as an engineering component; in the problems man suffers from motion, noise etc. The physical labour of flying is not great but the combination of physical and psychological stresses is enormous, says Air Commodore Peter Howard, commandant of the Institute of Aviation Medicine. The upsides can be fatigue, sickness, even complete disorientation, when the pilot's eyes cross. The institute has a simulator for research into these problems which "can be made as unstable as drives test pilots of tears," he says.

One of its activities is trying to rehabilitate pilots who have succumbed to "motion sickness." This is a medical problem which can afflict—usually progressively—even very experienced flying crew. The institute studies the problem scientifically but also tries to re-acclimatise pilots who have proved susceptible. At the cost of training a pilot nowadays, the institute's entire research budget can be justified if they return just three motion sick pilots a year to flying duties, says Air Commodore Howard. Last year they cured eight.

But the institute also has a major role in what might be called the "non-clinical" aspect of human factors research: that of defence research chiefs today. It works closely with the Royal Aircraft Establishment nearby on what Air Commodore Howard calls the psycho-physiology of man's relations with a very complex machine. It helps to define responses. It helps specify what the system designer should offer in trying to integrate man fully into the decision-making loop



Goggles recently tested at Farnborough allow pilots to see the ground at night as well as to read cockpit instruments.

Courtesy, IIT and RAE, Farnborough

and keep him functioning at peak efficiency.

The project definition for a replacement for Sea King, the anti-submarine helicopter, should be completed this year. This is a Navy requirement; and this time the helicopter will be designed for the job from scratch. (It may be a joint venture with Italy.) Farnborough is certainly to have a major role. Its human engineering division under Dr. Brian Ellis has been testing some of the ideas of Farnborough's flight systems depart-

ment for providing night vision for low-level helicopter operations. The helicopter relies far more than fixed-wing aircraft on the crew being able to see the terrain. Farnborough's aim is to restore good visual contact at night and in bad weather. The problem was to find a way in which a helicopter pilot could switch his attention from the blackness below him to his instrument panel and back as easily as a car driver relates both to the road and his dashboard. One idea they have been ex-

ploring, illustrated here, is to fit the pilot with "spectacles" which provide night vision. These bifocal goggles amplify very low levels of light and beat radiated from the terrain. To prevent the much higher levels of light from his own instruments from blinding the pilot, the goggles are fitted with red filters and the instruments floodlit with blue-green light. This still gives the co-pilot enough light to read a map.

The most sophisticated idea—to be tried out in a Sea King this year—virtually couples the pilot to his instruments through a helmet with a miniature visual display unit (VDU) built into it. With this system the pilot can turn his head in any direction and still—quite literally—keep an eye on his instruments. The other eye is on the outside world, for example permitting the pilot to look into a turn before making it.

One helicopter project was formally laid to rest by the Defence Estimates last month. This was Supervisor, the robot tank-spotter, designed to be flown by a "crew" of two by remote control from the ground, to reconnoitre by TV camera the enemy's positions. The idea was to program a computer so as to prevent the pilot placing demands that were too difficult or hazardous upon the 80-kg remote pilotless vehicle (RPV). Cost and complexity eventually killed Supervisor.

But the ministry's interest is still growing in the RPV as a way of keeping both man and most of his expensive engineering safely out of sight of the enemy. The Navy, for example, is developing both satellite surveillance and the idea of remotely controlled minehunting. All arms are eager to know how much "artificial intelligence" they can put into the weapon itself, so that it finds its own way to the target. With micro-miniature radars no bigger than a 5p coin, such as the Royal

Signals and Radar Establishment at Malvern has developed, the possibilities for "intelligent weapons" begin to look immense.

For man himself, whether in the cockpit or the ops room or safely behind the lines, the main link with the machine is the VDU. The latest VDU developments at Malvern suggest ample scope yet for more intimate couplings of hand, eye and brain with the computer. Malvern is developing paired displays as a way of getting "two people round the same task" in air traffic control. A support controller would work about five minutes ahead of the air traffic controller, making suggestions for manoeuvres

Ample scope yet for more couplings of hand, eye and brain with computers

which when the time came, the air traffic controller would be free to accept or reject. At Portsmouth, the Navy scientists have high hopes of using colour in their displays to keep the ops room more closely and accurately in touch with the battle. It is easy to do and very attractive. But colour is also fraught with risks of directing the operator's attention too forcefully in one direction, of stressing situations which may not be based on sufficiently reliable data. They recall the warnings an eminent British psychologist gave defence research chiefs at a seminar in Cambridge recently. "Man, he said, has a unique ability to place greater weight on any evidence which supports his own ideas, observations or theories, and less weight on any evidence which might conflict with his views."

Letters to the Editor

The Community budget

From Mr. R. Carswell
Sir,—As the EEC Foreign Ministers look again at the question of Britain's contribution to the Community budget, it is useful to examine the throw-away French suggestion made at the last summit of an entirely and apparently permanent mechanism that would act to reduce excessive budget surpluses as well as deficits.

Perhaps the aim should be: if the purpose of the European Community is to engender solidarity and protect the interests of the peoples and nations of Europe, then the financial arrangements of the Community must underpin and reflect the solidarity. Certainly the time has come to settle at least on a permanent budgetary system which ensures that the Community avoids recurrent crises and untidy ad hoc rebate systems.

As well as producing the anomaly of Britain's disproportionate net contribution, the current arrangements seek to achieve unrelated objectives: to promote Community preference in trade (duties and levies on imports are levied on which are contributed to the budget); and to protect Europe's numerous farmers (three quarters of the budget are spent on agriculture).

While the obvious solution is to control agricultural spending and spend proportionately more on other sectors, little thought has been devoted to alternative methods of contributing to the budget. The Government was elected on a manifesto which included the assertion that "national payments into the budget should be more closely related to ability to pay. Spending from the budget should be concentrated more strictly on policies and projects on which it makes sense for the Community rather than nation states to take the lead."

Has not the time come, therefore, for Britain to put some flesh on the bare bones of these policies?
Richard J. Carswell,
CSM European Consultants,
Engle House,
109, Jermyn Street, SW1.

Authorised auditors

From the Secretary,
Association of Authorised Public Accountants
Sir,—I refer to recent correspondence concerning the statutory authorised auditor under the provisions of the Companies Acts, and his lack of obligatory accounting standards.

It is certainly true that there is no legal or mandatory reason for the authorised auditor to adhere to recommended accounting standards by the 161 bodies. For obvious reasons, the 161 bodies were unable to consult the unorganised individual 161 (1) (b) authorised auditor; but this is not so in the case of this association which represents the organised 161 (1) (b) auditor.

The encouragement, liaison and active help from both the Institute of Chartered Accountants of England and Wales and the Association of Certified Accountants, in its endeavours to commence accounting standards and a committee of discipline. Apart from full co-

operation and assistance on standards and technical servicing, both the Institute and the Association of Certified Accountants have agreed to nominate a member from each body, to serve on the committee of discipline. It is apparent that both the main recognised bodies have faced up to the situation and accepted the association as a representative statutory body of the 161 class, responsible for the standards and discipline of the Government authorised auditor.

This association's constitutional objective is to ensure that an equally responsible interest must be shown by the Government towards its own protégé and its standards, and follow the commendable example of recognised bodies by ensuring there is no confusion of standards between the Government certificated auditor and recognised bodies. The association is presently doing its best to retrieve the Government's "chestnut" and has avoided becoming the representative of the minority view of dissenters, by recommending adherence to the standards put forward by the recognised bodies, "warts and all."

It does leave one bemused, to try and understand Government thinking, when on the one hand, the Government is fully defective on any form of standards for the statutory auditor created, and on the other hand, its inbuilt resistance to assist the only possible vehicle that can remedy the dilemma. There is every case for the responsible and progressive attitude of the association to receive the active help and encouragement of the Government. This is a Government responsibility that will not go away or be ignored any longer.

S. A. Coxhead,
Association of Authorised Public Accountants,
10, Cornfield Road,
Eastbourne, Sussex.

Chairmen's meeting

From Mr. J. Christman
Sir,—In representations to the Chancellor the CBI stated "if we could once again get inflation down to below 5 per cent man yof our other problems would fall into place." Its own members, are amongst those who decide to increase prices and many of them do not yet cite inflation as their major problem.

Individual manufacturers whose businesses are contracting because of price competition cannot alone protect their companies' future. Confronted with inflation-related cost pressures such as cost of living wage claims, suppliers' price increases, high interest rates increased working capital requirements, escalating replacement costs of plant and public sector over-bids inversely proportionate to the volume of production, the date when many successful businesses will cease to trade can be clearly projected for different rates of inflation. Some industrialists recognise that price increases are killing their business but as only one link in the chain of production and distribution of their product they are unable by their own efforts alone to preserve or extend their activities. Efficient managements are improving the effectiveness of their companies as fast as possible but insofar as they

increase their prices such improvements are not offsetting inflation.

While managing directors concentrate on survival with inflation it is not time groups of chairman worked together collectively to reach consensus on the changes in attitudes and policies which are necessary in the private and public sector to cure inflation? Identification of the behaviour necessary to achieve longer term prosperity and regeneration of industry with a strong sterling exchange rate might thus be revealed.
J. F. Christmas,
10 Madison Avenue,
Cheshire, Cheshire.

Bias against building

From Mr. A. de Guise
Sir,—I write to query the working of the Finance Act (2) 1975 in relation to sub-contractors in the building industry. The Inland Revenue can issue company exemption certificates, personal ones or ones to individuals acting on behalf of a company. These latter may represent concerns with a turnover of £1m or more. As far as I can tell this makes the individuals liable personally for any tax not paid, which seems harsh and not in harmony with the theory of limited liability.

Worse befalls if the company loses its certificate because it falls behind with its tax payments. Which can easily happen with strikes, computer failure, or staffing problems, even in Government or local authority offices. In this event a main contractor has to deduct 30 per cent from all payments, which he then remits to the Revenue. Eventually the 30 per cent is adjusted against any tax liability still unpaid. But surely it is totally unreasonable to deduct what is geared to the average tax for one individual and apply it to a company employing say, 50 men. How many non-building companies can claim to be totally up-to-date with all their tax returns?

Is this the intention of the Act anyway? Or is the Inland Revenue's supposed bias against the building industry showing through?
Andrew de Guise,
Trident Building, an i Maintenance Company,
40, Elspinge Road, SW18.

Keep to plain English

From Mr. J. Cookson
Sir,—May I express the hope that, if citizens' hand radio is made legal in this country, users should keep to plain English. There are too many words in that language already without adding a spate of CB jargon.
J. V. Barber Cookson,
Hugh Barn, New Loughton,
Near Preston, Lancashire.

Slow and painful

From the Group Director,
Francis Industries
Sir,—Your main editorial of May 16 diagnoses why monetary policy is going to take a long time to cure inflation. You stop short, however, of deducing that the process can be accelerated by substituting or adding direct credit control as the Government seems loath

to allow interest rates to find their natural level. It is not without significance that high interest rates of 20 per cent in the U.S.A., where inflation is significantly lower than to this country, where followed by a rapid reduction (see Mr. R. Wilkinson's letter, May 16).

People will continue to pay increased prices while they are able to or until it becomes more advantageous for them not to. Hire purchase and other credit controls should be introduced and Granny Bonds should be made available to everybody. The latter could be one-year bonds if the Government is afraid of the issue but the more these bonds are sold the more likely it is that retail sales will fall. An unfortunate but essential need if inflation is to be reduced in a reasonable time. Increased unemployment would be brought forward but so also would be the recovery. Otherwise, as you say, "checking costs... is likely to prove slow and painful", so slow, in fact, as to take us up to the next election.
R. H. Shorer,
Francis Industries,
Magson House,
Luddendenfoot, Holmfax, Yorks.

On the books of a large firm

From Mr. T. Higgins
Sir,—The league table of the "top" accountancy firms (May 15) illustrates one of the more nauseating aspects of the recent development of the accountancy profession. I refer to the absorption of so many medium sized and competent firms into the larger London based brigades. Clients find themselves, without any meaningful consultation, on the books of a large firm with the benefits of such prestige quickly reflected in the fees. To many clients the slavish regard paid to institute recommendations, no matter how inappropriate to the circumstances, is irksome in the extreme, especially when the auditors with inexcusable pride, seek to qualify their certificate. As most of the "top" firms are represented on the council of the Institute, there appears to be an inflexible and perpetual system of self-righteousness which cannot be assailed by the average client.

Perhaps in this Centenary year of the Institute, the policy makers of Moorgate, to whom it would seem that a journey to Watford is a dangerous adventure into the Northern wastelands, should reflect on the services rendered to medium and small clients and whether they have sufficient communication with them.
T. Higgins,
Owls Wood, 76 Chawney Road,
Quorn, Nr. Loughborough, Leics.

No accounting for it

From Mr. T. Eckersley
Sir,—In this centenary year of The Institute of Chartered Accountants we see a lot of their cost of arms. There is an ample woman standing on a rock brandishing a rod and a pair of dividers. Behind her is an object which could be a wrecked grand piano or a discarded manual typewriter. Many of my colleagues have passed the Institute's exams, but none can tell me what this object is.
Toby Eckersley,
30, Berryfield Road, SE17.

Today's Events

GENERAL
UK: Sir Geoffrey Howe, Chancellor of the Exchequer, speaks at Confederation of British Industry dinner, London.

Mr. James Prior, Employment Secretary, Lord Thorpecroft, party chairman, Mr. Mark Carlisle, Education Secretary, and Lord Carrington, Foreign Minister, address Conservative women's conference, Central Hall, Westminster.

Mr. Gordon Richardson, Governor of the Bank of England, speaks at Financial Times lunch to foreign bankers, Mansio House.

Dr. Kurt Waldheim, UN Secretary-General, meets the Queen, Mrs. Margaret Thatcher and Lord Carrington, London.

Police Federation annual conference opens, Scarborough (to May 22).

Overseas: Referendum on autonomy, Quebec.

PARLIAMENTARY BUSINESS
House of Commons: Housing Bill, remaining stages. Upholstered Furniture (Safety) Regulations.

Emergency debate on back-dating of Iran sanctions.
House of Lords: Employment Bill, second reading.
Select Committee: Foreign Affairs, Overseas Development Sub-committee. Subject: Develop-

ment Divisions. Witnesses: Overseas Development Administration of the Foreign Office. Room 15, 5 pm.

OFFICIAL STATISTICS
May provisional figures for unemployment and unfilled vacancies. New construction orders for March.

COMPANY MEETINGS
Associated Biscuit, Great Western Royal Hotel, Paddington, W. 12.30. Acumy and Madelet, Loxells, Birmingham, 12. Bampers Stores, Great Eastern Hotel, Liverpool Street, EC. 12. Bank of Scotland, The

Mound, Edinburgh, 12.15. Booker McConnell, 69 Cannon Street, 12. CSC Investment Trust, 44, Bloomsbury Square, WC. 1.30. Cape Industries, Hyde Park Hotel, Knightsbridge, SW. 12. Fisons, Dorechester, Park Lane, W. 11. Ofres, Stephen Street, W. 11. Padang Seang Rubber Estates, Sevenoaks, Kent, 12. Shell Transport and Trading, Shell Centre, SE. 11.30. Wace Group, Great Eastern Hotel, Liverpool Street, EC. 12. James Wilkes, Bileston, West Midlands, 2.30. Williams and James, Tara Hotel, Upton Street, Leamards, Gloucester, 12. Winston Estates, 10, Bolton Street, Piccadilly, W. 12. Wolf Electric Tools, Pioneer Works, Hanger Lane, Ealing, W. 12.

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Answers for the 80's

Fenner profits climb to £4.3m in industrial calm

MUCH OF the ground lost last year through industrial interruptions has been recovered by J. H. Fenner and Co. (Holdings), power transmission engineer, and pre-tax profits for the six months to March 1, 1980, have climbed from £2.81m to £4.3m.

The pre-tax figure is struck after interest substantially higher at £1.42m compared with £0.70m.

After tax up from £1.03m to £1.77m, stated earnings per 25p share are up from 6.27p to 9.44p, and the net dividend is raised from 3.3p to 3.65p.

The Board hopes to maintain a similar rate of increase on the final dividend—last year's total was 8.22p from pre-tax profits of £7.6m.

The Board says significant advances have been made in some areas, and the most marked improvement was seen in the home companies with industrial actions during the period not causing damage on the same scale as last year.

The steel strike, however, although not causing serious loss of production, did cause extra costs to be incurred and some market weaknesses were felt in March and April.

The expansion of business accelerated in most overseas areas.

As the company enters the second half, there is a decline in some markets. Trading condi-

HIGHLIGHTS

Lex briefly discusses the apparent development of an economic recession in the UK following yesterday's industrial production figures. Elsewhere the Department of Trade has announced that it is considering modifications to the way its DoT inspectors operate. The UK's biggest property company, Land Securities Investment Trust, produced a revaluation indication with its preliminary results which put new heart into the property sector, already trading near all time peak levels. Lex also discusses the raising of £7m of new capital largely from British institutions by Nimslo.

tions in the coming months are expected to be difficult and the directors feel it would be unwise to set expectations too high. They are optimistic, however, for a satisfactory outcome for the year.

Turnover in the first half advanced from £42.35m to £58.15m. Minorities accounted for £250,000 against £158,000.

comment

Given a better winter run of industrial relations in the power transmission division, J. H. Fenner was always set to recover quickly at the interim stage although the 51 per cent improvement was enough to lift the shares 4p to 130p yesterday.

Whether the recovery will be fully effected by the year end is open to some debate. Gearing has risen steeply since the mid-way point last year but, even if Fenner is still some way from

positive cash generation, interest costs look set to fall in the second half this year. On the trading front, however, the group is already warning of a decline in some areas. Conveyor belt orders should hold up well—although export margins have become very tight—but the U.S. is not making the required headway and is probably doing little better than breaking even after a profit in the fourth quarter last time. The fall in prime rates should help. South Africa is performing well once again but fluid prospecting remains a problem.

The prospective dividend yield looks safe and tolerably attractive at 10.2 per cent and assuming that interim profits are no better than maintained in the second half, the prospective p/e is 3.1. Given the strong geographical spread of businesses and the links with the mining industry, the shares remain a firm hold at this level.

Evered in losses and cuts final

WITH SECOND-HALF results seriously affected by the national engineering strike, Evered and Co. Holdings turned in a pre-tax loss of £43,530 for 1979, compared with profits of £319,360 previously. In the first six months, this industrial holding company had improved taxable surplus by £10,000 to £127,000.

Yearly loss per 25p share is shown at 1.1p (4.9p earnings) and the final dividend is reduced from 0.65p to 0.25p net making a lower total of 0.7p (1p).

In the early months of this year, problems have been compounded by the effects of the steel strike on the company's customers and the depressed state of world trade. The directors have therefore drawn up a plan for a radical reconstruction to achieve a return to adequate and sustained profit.

The British Chromium Plating Company and Evered and Co. (Hardware) have been closed and their assets sold.

The directors do not expect the present plans to result in profits for the first six months of this year, but barring any material deterioration in demand from customers in the coming months, they anticipate trading at a profit in the last quarter.

comment

Evered may have a reasonably strong balance sheet but it is clear that a pattern which has seen losses in four of the last six years must be broken.

The familiar culprits engineering dispute possibly costing around £250,000 while interest charges climbed by £20,000 against the corresponding period. But that should not be allowed to mask the weakness of some of the basic businesses which new management has recently decided to prune.

The disposal programme will be completed sometime around August with the benefit of the resultant loss elimination of perhaps £150,000 annually. That will not be enough to hear any fruit in the first half and, since the third quarter is traditionally flat, Evered is unlikely to start responding until late autumn at the earliest. The shares are well below par value and dropped a further 2p yesterday to 19p where the capitalisation is £1.1m. The reduced dividend yields 5.3 per cent.

Nimslo looking further afield

BY RAY MAUGHAN

The pioneers of the three-dimensional camera are coming back to the London market for a fresh injection of development capital.

Mr. Jerry Nims and Dr. Allen Lo found investors to subscribe £2m to a new company, Nimslo Ltd, in 1978 and have now set up Nimslo European Holdings (NEH).

The new group has been formed to unite the interests of British investors in the manufacturing and marketing rights in respect of the amateur market for Europe, Africa, the Middle East (except Israel), the U.S., Canada, Puerto Rico and certain Caribbean Islands in the Nimslo system, the 3-D photographic system developed by Nimslo Technology Inc. (NTI).

Mr. Nims owns 45.7 per cent of NTI. NEH is raising £7.14m by means of a placing of 2.1m ordinary shares of £1 each and £3.75m of 14 per cent unsecured loan stock in units of one share and £1.70 of loan stock at £3.40 per unit.

NTI conditionally agreed yesterday to transfer to NEH from certain of the existing UK shareholders 375,000 shares in Nimslo at a price of £2.27 per share, thereby increasing its stake in Nimslo from 80 to 70 per cent.

The UK vendors have in turn conditionally agreed to apply the whole of the sales proceeds of £851,000 in subscribing for 375,000 shares in NEH.

NEH is now offering to acquire the remaining 30 per cent of Nimslo Ltd from the holders of the basis of an exchange of shares whereby accepting shareholders will receive one share in NEH for each share presently held in Nimslo.

A proposal is also being made that the existing 14 per cent unsecured loan stock 1983/88 of Nimslo Limited should be cancelled in exchange for the issue to holders of an equivalent of 14 per cent unsecured "A" loan stock 1983/88 of NEH.

The offer has been accepted by holders of 65 per cent of the shares for which the offer is being made.

NTI has entered into an agreement with NC, a company newly incorporated in Nimslo's home state of Georgia, to provide technical information and equipment relating to applications of the Nimslo System in the professional market and the portrait and school photography market, in consideration for the issue to NTI of shares in NC credited as fully paid.

Following the completion of the placing, NEH will subscribe for shares in NC following which NC's share capital will be owned as 70 per cent by NTI and 30 per cent by NEH.

In consideration for the payment by NEH of £500,000 to NTI, NTI will grant to NEH an option to acquire a 30 per cent interest in the right to manufacture and market the Nimslo system in respect of all geographical markets not already covered by the arrangements with Nimslo Limited and NC.

NTI has undertaken to grant to NC or Limited manufacturing and marketing rights with respect to the professional, portrait photography and the amateur markets for the U.S., Canada, Puerto Rico and certain Caribbean Islands comparable to those agreed in 1978 with Nimslo Limited.

The effect of these proposals is that NEH, through its 30 per cent stakes in both NC and NEH will have an interest in the exploitation of the Nimslo system with NTI holding the outstanding 70 per cent.

The interest in Nimslo Limited and NC attributable to former shareholders of the Nimslo Limited (which included several leading institutions found by Carr Sebag, the brokers to this deal) other than NTI will be 12.5 per cent as compared with their 40 per cent interest in Nimslo Limited.

Making some major assumptions concerning pricing, market shares and the development of film, the founders have projected a \$1.3m loss before tax next year, followed by profits of \$20.02m, \$42.22m, \$86.68m and \$98.34m in each of the years to 1985.

DIVIDENDS ANNOUNCED

	Current payment	Date	Corre-Total	Total
Ambrose Inv. Trst.	4.1	July 30	3.3	6.7
Bishopsgate Trst.	5.7	July 2	4.75	9.95
Cakebread Bobs	1.7	June 27	1.32	3.3
Cambridge Inv. Trst.	1.8	June 27	1.6	4.35
El Oro Mining	2.5	—	1.4	1.4
Exploration Co.	1.25	—	0.7	0.7
Evered	0.25	June 20	0.65	0.7
J. H. Fenner	3.63	—	3.3	8.22
Hawker Maris	Nil	—	5.17	7.14
Helical Bar	1.75	July 10	1.0	2.75
Land Securities	2.8	July 16	2.51	8.4
MAM	0.7	—	1.24	1.77
Readicut	0.44	Sept. 11	0.26	1.16
Reo Stakis Org.	2.5	—	2.5	3.75
W. Runciman	5.52	July 9	4.54	6.25
H. Samuel	0.5	Aug. 8	0.5	0.5
Ben Williams	0.5	Aug. 8	0.5	0.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ To reduce disparity. § Final at least maintained at 5.8875p forecast. ¶ For 40 weeks. ** For year to December 31, 1980. *** Includes non-recurring 1.4p special dividend.



Mr. Peter Macadam, chairman of BAT Industries... now a world-wide employer of more than 280,000 people.

BATs emphasises financial efficiency

Financial efficiency in both the planning of capital expenditure and in the day-to-day practices of BAT Industries, the worldwide tobacco, retail stores, paper, printing and cosmetics group, means both investment and investment. Mr. Peter Macadam, chairman, says in his annual statement.

Efficient use of the group's financial resources also means a constant effort to reduce the costs of production and distribution and thereby to increase both its competitiveness and profitability, he adds.

Most sectors improved their results in the 15-month period covered by the present accounts in spite of world inflation, economic problems, and increased competition in many group markets, though these improvements are less apparent when translated into sterling because of the strengthening of the pound against the U.S. dollar and most other currencies.

As reported on May 1, group pre-tax profit rose from £433m in the 12 months to September 30, 1978 to £500m in the 15 months covering the period from year-end to December 31, 1979.

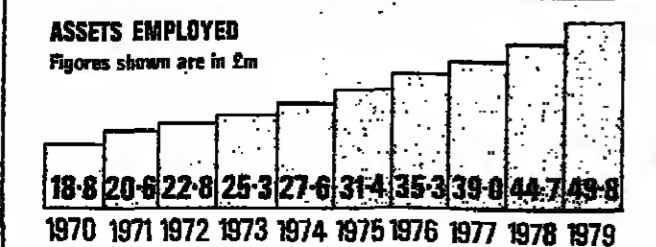
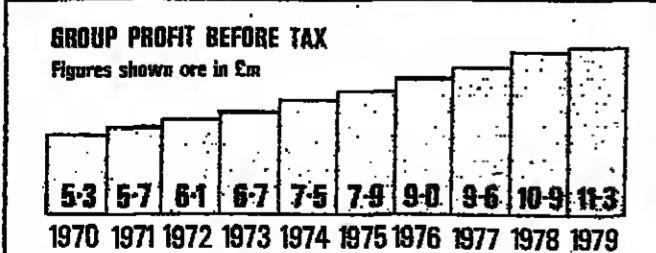
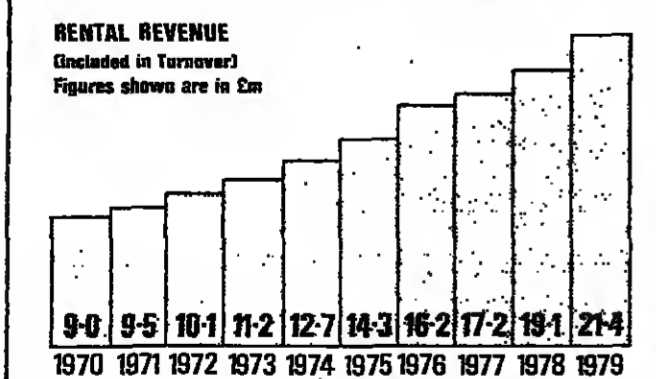
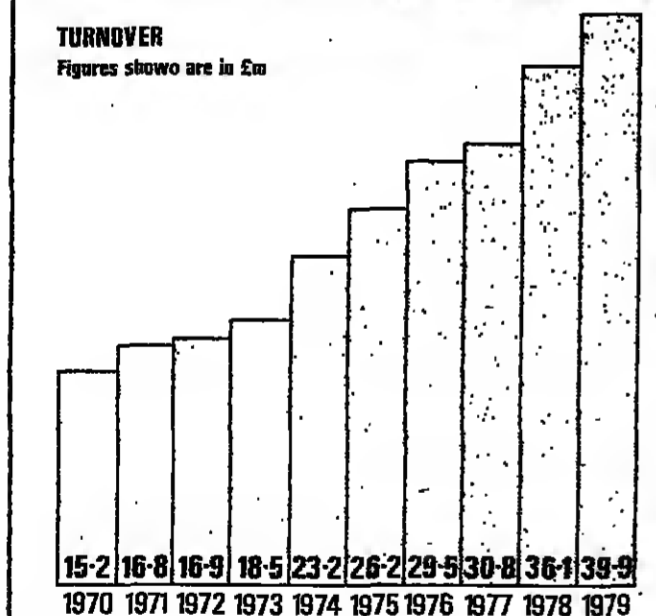
For comparative purposes, pre-tax profit in the 12 months to December 31 was up from £435m to £448m. On a CCA basis, the 12 month figure is reduced to £376m after adjustments for cost of sales, £122m, depreciation, £43m and monetary working capital, £38m.

With it becoming increasingly clear that the deep-seated problems in the world economy cannot easily be solved by an upturn in the economic cycle, the directors of BAT have to ensure that the group is not only equipped to take advantage of new opportunities, but also for the 15 months.

Telephone Rentals LIMITED

Incorporating
DICTOGRAPH TELEPHONES LIMITED

OPERATING TR SERVICES



CONTINUED PROGRESS DESPITE DIFFICULTIES

Mr. E. H. Cooper, the Chairman, reports:—

* Group Profits for 1979 after Depreciation but before Taxation and Extraordinary profits were £11,271,002 which although constituting a further record are only slightly ahead by 3.2% on the previous year. These results are satisfactory in the difficult circumstances prevailing through the year but they are disappointing and much lower than had been anticipated if circumstances had been normal.

* Directors recommend an increased Final Dividend of 5.7p per share (4.8p) making a total of 7.5p per share (6.52p).

* In terms of new rental business taken during 1979 the Group performed very well indeed and new records were established. New sale business secured did not match 1978's record results but was, nevertheless, the second highest so far achieved.

Future Prospects

* For the first quarter of 1980 both new rental and sale business secured throughout the Group were well in advance of 1979's results at this stage, although it would not be surprising if some falling-off occurred towards the end of the year.

* Provided that the Group and its suppliers remain free from both internal and external industrial disputes your Board is confident that 1980 will be a successful and encouraging year.

Meeting 12th June, 1980.

Dividend payable 7th July, 1980.

TR Services include PABX and Internal Telephone Systems
Data Communications
Staff Location : Time Control
Production Control : Fire Alarms
Fire Detection : Hotel Services
Security Guard Protection

HEAD OFFICE
TR House, Blechley,
Milton Keynes, MK3 5JL.

Land Securities

Summary of Results for the Year ended 31st March 1980
(Subject to final Audit)

	31.3.80	31.3.79
	£'000	£'000
Total Income	83,527	75,593
Net Income before Taxation	38,120	26,359
Less Taxation	15,937	9,709
Income available for Distribution	22,183	16,650
Dividends per share:		
Interim paid	2.5p	1.5p
Final now proposed	5.3p	5.0p
Total for the year	7.8p	6.5p
Earnings per share—basic	9.73p	8.07p
—fully diluted	9.52p	7.65p

The aggregate year-end value of the Group's portfolio was £1,202,017,000, consisting of £1,175,628,000 of properties at the amounts at which they were valued by Knight Frank & Rutley at 31st March 1979 on an open market basis, with additions during the current year at cost, but excluding properties sold since that date. Without adjusting for taxation payable if properties were to be sold the consolidated net assets amounted to £883,976,000 on which basis the fully diluted net asset value per share is 371p.

Knight Frank & Rutley valued on an open market basis a fully representative sample of approximately a quarter by value of the portfolio as at 31st March 1980. They reported that in their opinion the values showed an uplift of approximately 25% when compared with the corresponding 1979 values.

Work is in progress on the major project involving Devonshire House and the demolition of King William Street House has commenced prior to the construction of a new air conditioned building which is due to start in the current year. Several new refurbishments have been started during the year.

The Group has purchased the freehold interests in a number of existing holdings and has effected extensions and re-arrangements of head leases and under leases.

During the year the level of rents has improved upon those on which the incremental forecast set out in last year's Report was based.

The full Report of the Directors and Accounts for the year will be despatched to Shareholders shortly. Copies will be available for non-Shareholders on request to:

THE LAND SECURITIES INVESTMENT TRUST LIMITED
Devonshire House, Piccadilly, London W1X 6BT.

Putting profits to work

Results at a glance

(millions of pounds sterling)	1979	1978
Net sales	699.6	576.7
Trading profit	172.0	146.5
Earnings for the year	41.4	44.1

£200 million investment in the United Kingdom over the next five years.

Summary of the report of the President, Mr G C Brunton:

This has been the first full trading year of International Thomson Organisation Limited, the financial holding company for the Group. Net sales at £699.6m were 21.3% higher than in the previous year, and trading profit at £172.0m showed an increase of 17.4% despite the loss of £39.3m in 1979 resulting from the Times Newspapers dispute. Earnings at £41.4m were £2.7m lower than 1978 because of the Times Newspapers dispute and the high rate of tax on our oil profits which dominated the 1979 profit picture. The price per barrel of oil rose over the year from about £6.50 to £11.50 and has risen further in 1980. On the other hand, the rate of petroleum revenue tax was increased during 1979 from 45% to 60% and the U.K. Government has since proposed an increase in the rate to 70%. On that basis the Government take from every incremental pound on the price of oil will be over 87%. During the year your Company's payments of royalties, petroleum revenue tax and corporation tax on North Sea earnings were £68m and are expected to exceed £200m in 1980.

The Group's financial position continued to strengthen. Total debt at the year end was £972m compared to £1372m at the previous year end, and cash and bank term deposits and short term investments were £79.8m compared to £82.4m at the end of 1978. Debt directly related to North Sea oil production has been fully repaid in 1980.

A dividend of US \$5.75 cents per common share has been declared payable on July 15, 1980 to shareholders of record on June 6, 1980. For those electing to take their common dividend on the shares of Thomson British Holdings Ltd, the sterling equivalent is 2.551p per share.

The year's successes included high oil production levels, record results from our travel interests and the strong and

stable performance of our United Kingdom regional newspapers. A disappointment was the length and cost of the suspension at Times Newspapers.

Important progress is being made in the Group's programme of development. We foresee that during the next five years, and excluding oil, more than £200m will be invested in such projects as the modernisation of our regional newspaper centres, the funding of new opportunities in directory publishing, the development of our travel interests including the acquisition programme of Lunn Poly, and the build-up of Britannia Airways' fleet. Our development plans elsewhere in the world are gaining momentum with active investment programmes particularly in the U.S.A.

Current prospects

This year should show a significant increase in sales, but with a deteriorating economic situation and increased oil taxes there is pressure on profitability, which should however remain at satisfactory levels. I expect all sectors of our business to perform comparatively well.

The future

We are determined to continue our policy of developing management resources and encouraging progressive personnel policies. We have continued to emphasise the social responsibility of business, for example by supporting the Government-sponsored Youth Opportunities Scheme, and by fully taking into account environmental issues wherever our activities impinge on them.

Your Company moves into the 1980s from a position of established strength. The 1970s were the years of creating and developing the businesses and our philosophy was set by our founder, Roy Thomson, who was always vitally concerned with the need to build for the future. Building for the future will continue to be our policy for the Eighties.

The major difference between now and the past is that today we have very substantial financial resources to put behind the management team which has been seasoned and experienced by the challenges of the last decade.

We shall build for the future and we shall build good strong businesses which are planned to take your Company into the next century. Our objective remains to become a leading international publishing, communications and information business with strong ancillary interests in leisure and natural resources.

If you would like to obtain International Thomson's full Report and Accounts write either to our head office in Toronto or to our London office, Thomson House, PO Box 4YG, 4 Stratford Place, London W1A 4YG.

Newspapers

Times Newspapers is the publisher of The Times, The Sunday Times, The Times Literary Supplement, The Times Educational Supplement and The Times Higher Education Supplement. It is 85% owned by International Thomson Organisation, and 15% by the Astor family interests.

Times Newspapers has a separate publishing division consisting of three subsidiaries: Selective Market-place, Times Books, and Newspaper Archive Developments specialising respectively in reader offers, the publishing of The Times Atlas and other books, and microfilm records.

Thomson Regional Newspapers is a holding company whose subsidiaries publish regional newspapers in the United Kingdom, act as retail newsagents, provide newspaper consultancy services, and engage in newspaper and general printing. The group publishes fourteen morning and evening titles, one Sunday and forty weekly newspapers from fourteen centres.

The Scotsman and the Western Mail - national morning newspapers of Scotland and Wales respectively - and The Belfast Telegraph, the largest newspaper in Northern Ireland, are among the group's publications.

Thomson Withy Grove, a major printing centre in Manchester, is responsible for printing under contract the northern editions of certain national newspapers and for publishing The Sporting Chronicle and its associated weekly racing papers.

Publishing and Information

In the U.K. we operate in three main areas: magazines, data and books.

The Magazines division publishes a range of titles as diverse as the Illustrated London News and the Common Market Law Reports, Family Circle and Living, and trade and technical publications covering farming, medicine, construction and other areas of activity.

The Data division includes Derwent Publications (84% owned) which provides an information service primarily in the field of chemical patents, and Glass's Guide (51% owned) the guide to used car prices.

The Books division includes such well-known imprints as Thomas Nelson, Michael Joseph, Hamish Hamilton, Rainbird and Sphere Books.

We have a number of publishing interests in Australia, Canada, Denmark, Holland, Norway, South Africa and the United States.

Thomson Yellow Pages acts as a sales agent for advertisements in Post Office telephone directories.

Our U.S. interests include Research Publications, Inc. of Woodbridge, Connecticut, who are major micropublishers of records of U.S. and other patents and newspapers and journals of the world; Callaghan and Company, distinguished Chicago legal publishers, who provide research services and have a well-known list of titles and services; and Wadsworth, Inc. of California, who are among the largest U.S. publishers of college textbooks, with offices in Canada, Australia and the United Kingdom.

Holidays and Travel

Thomson Travel is the controlling company of the British travel division and through Thomson Holidays is a major tour operator providing a wide range of package holidays including not only sunshine holidays in Mediterranean resorts but also tours to many European cities as well as to Russia. In addition it has an attractive winter sun and sports programme.

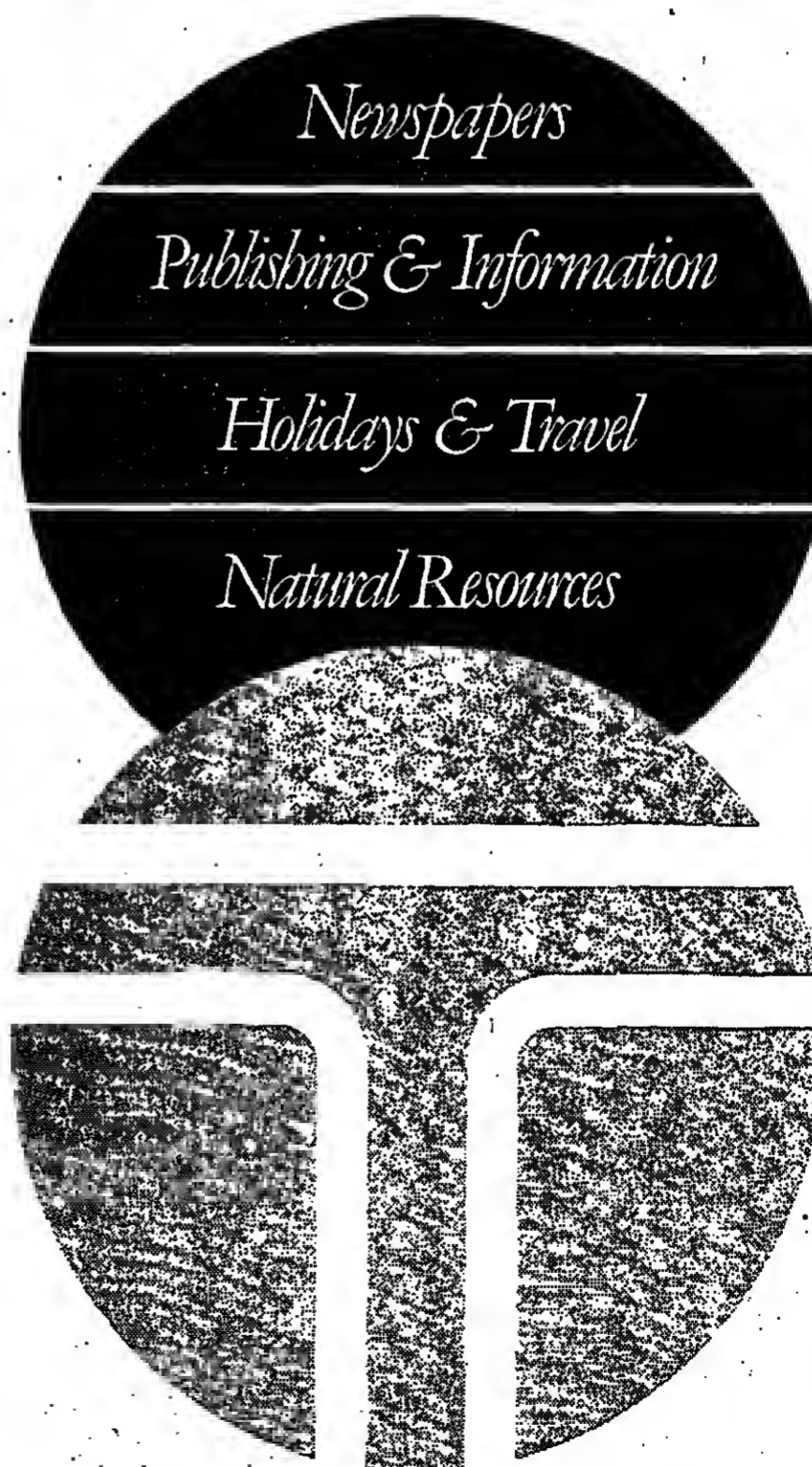
Thomson Travel runs the airline Britannia Airways which currently operates 23 Boeing 737s and carries passengers for Thomson Holidays and other tour firms. Thomson Holidays also operates a number of hotels particularly in Spain and Malta, and is involved in travel retailing through its subsidiary Lunn Poly.

In the U.S. our companies are Thomson Vacations Inc., founded in 1979 in Chicago to offer winter and summer vacations in the Americas, Unitours, Inc. of Los Angeles, California, with its chain of retail travel agencies, and Arthurs Travel, Inc. of Philadelphia.

Natural Resources

Thomson North Sea holds a 20% interest in the Piper and Claymore fields as a member of the Occidental consortium. The two fields together have been independently certified as containing proven recoverable reserves over field life of one billion barrels. The Occidental consortium with the British National Oil Corporation holds interests in fifth and sixth round licences for North Sea exploration.

Thomson-Montéith, with headquarters in Dallas, Texas, is a partnership engaged in the development of oil and gas properties by acquisition and exploration onshore in the United States.



International Thomson Organisation Ltd.

Head office: Suite 3515 Royal Bank Plaza Toronto Ontario M5J 2K1 Canada

Another Record Year for H&J Quick Group



With sales and profits at their highest ever level, H & J Quick Group Limited, Ford Main Dealers, continue to turn in record results. In his Annual Statement, Mr. Norman Quick, Chairman of the Group, reported increased net profits despite interest charges rising more than double.

- Group turnover for the year to 31st December 1979, rose by 40% to £77,230,000 from £55,116,000.
 - Trading profit (before interest charges) was £1,964,000 compared with £1,417,000 for the previous year.
 - Profit before tax increased to £1,161,000 from £1,026,000.
 - Earnings per 10p Ordinary Share rose to 19.53p from 17.44p.
 - The Final Dividend is 1.23p per 10p Ordinary Share making a total of 2.29p for the year against 1.828p for 1978.
- The first three months have shown further market domination by Ford and our deliveries are over one-third ahead of the same period last year. The Company is in a sound position to take advantage of opportunities as they occur though prospects are difficult to forecast, principally because of the effects of inflation and excessively high interest rates.

Quicks for Ford

Copies of the Annual Report and Accounts are obtainable from the Secretary, H & J Quick Group Ltd., Jubilee House, Chester Road, Old Trafford, Manchester M16 9GU.

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 9EB Telephone 01-621 1212

1979-80							
High	Low	Company	Price	Change	Gross	Yield	P/E
					(p)		
99	80	Airprung	87	+1	6.7	10.0	4.01
50	25	Armstrong and Rhodes	32	+1	3.8	11.5	2.21
275	185	Bardon Hill	275	—	13.8	5.0	3.11
100	80	County Cars 10.7% Pl.	80	—	15.3	19.1	—
101	83	Deborah Ord.	83	—	5.0	5.4	10.2
130	88	Frank Mossell	120	+2	7.8	6.6	7.4
129	98	Frederick Parker	99	—	12.8	12.8	4.51
156	102	George Blair	105	—	16.5	15.7	—
71	45	Jackson Group	71	+2	5.2	7.3	4.21
133	107	James Burrough	108	+1	7.2	6.7	9.5
300	242	Robert Jenkins	285	+3	31.3	11.0	5.11
232	175	Torday	234	+1	14.3	5.4	5.21
34	111	Twintock Ord.	113	—	0.8	3.5	2.51
80	70	Twintock 12% ULS	70	—	12.0	17.1	—
56	23	Unilock Holdings	47	—	2.6	5.5	10.0
30	45	Unilock Holdings New	45	—	—	—	9.9
99	42	W. S. Yeates	92	—	4.4	4.7	8.1
205	136	W. S. Yeates	205	+3	12.1	5.8	3.31

Accounts prepared under provisions of SSAP 15.

Companies and Markets

Readicut profits tumble 50% and dividend reduced

A STRONG pound, a record minimum lending rate and higher inflation than those of overseas competitors, resulted in a sharp fall in margins for Readicut International and although turnover rose 6.7 per cent to £92.7m, pre-tax profits slumped by some 50 per cent from £9.31m to £4.63m for the year ended March 31, 1980.

First-half profits had fallen from £3.73m to £2.52m and the directors warned that the full year result was unlikely to reach the previous year's level.

They now say that against a background of reduced activity and increased competition for less available business, they will concentrate their efforts on developing the company's competitive position by rationalisation, improving productivity and seeking out business areas with higher growth potential.

Stated earnings per 5p share tumbled from 10.09p to 2.82p and the dividend total is cut from 1.7710p to 1.2503p net with a final of 0.7p (1.2443p).

The 1978-79 result was struck after depreciation of £2.24m (£1.71m) and bank interest up sharply from £215,000 to £1.13m. Loan stock interest took £258,000 (£267,000).

After tax up from £1.51m to £2.42m and extraordinary debits of £349,000 (£331,000), available profits emerged well down at £1.86m, compared with £7.46m. Dividends absorbed £994,000 (£1.4m).

Capital expenditure for the year totalled £5.24m of which £4.19m related to plant; £0.89m was spent abroad. Capital expenditure for 1980-81 has been reduced below the originally planned level, but rephased so as not to interfere with key projects.

The 1978-79 profits of the retail division were considerably lower at £1.15m (£1.72m) due to the reduction in sales of rug kits and component parts to the overseas subsidiaries, particularly North America. UK mail order profits were ahead of the previous year, but profits from

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interim or final and the subdivisions shown below are based mainly on last year's timetable.

TODAY
Interim—John Carr (Doncaster), K. Shoo, Northern American Trust, Northern Industrial Improvement Trust, Flaxton (Scarborough), Redburn National Glass, John Williams of Cardiff, Yorkshire and Lancashire Investment Trust.

FUTURE DATES
Interim—British Syphon Industries, Developments, Furness Withy, C. E. External Investment Trust, Fine Art Hoos, London and Northern, Manchester Liners, Scott and Robertson, Shires Investment, Tonsaat Cogroup, Transatlantic and General Investments.

Finals
Associated Serrys May 28
Cockledge May 28
Durban Roadport Deep June 9
East Rand Proprietary Mines June 9
Kelsey Industries May 27
Lay's Foundries and Engrs. May 22
North British Steel May 25
Stockholders Int. Trust May 25

Amended.

Readicut Wool Shops were down.

In textile manufacturing, where profits were around £1m lower at £1.63m, First Furnishings began the year well, but demand from the automotive industry decline by mid-year: the furnishing and yarn markets were affected badly in the last quarter. The new factory in Calais was completed on schedule but start-up costs had to be absorbed. The other units were able to maintain last year's turnover and nearly the same profits, despite severe competition and cheap imports. In difficult conditions, the yarn making division did well to

maintain profits at £417,000 (£418,000). The year commenced with a strong order book but sales of rug wool declined after August, while the carpet trade moved into recession.

Profits of the others manufacturing division were well down at £0.42m (£2.13m), despite record results from the three Shaw companies.

Carpet manufacturing profits fell from £943,000 to £183,000. The major reduction in overseas profits from £1.76m to £1.09m was attributable to the North American market following the ending of the "Sole Concessionaire" relationship with Shillcraft. Readicut Mail Order Inc. has been formed and is scheduled to start trading in August.

comment

It will get worse before it gets better, but with capital gearing at a worrisome 30 per cent and well-maintained plant Readicut International is healthy enough to weather the depression which may bottom out around the interim stage of the current year. The company is unsurprisingly in CCA loss, but the dividend cut jolted the market into slashing the share price 5p to 19p despite profits only modestly below outside forecasts which have been revised steadily down through the final quarter.

The external problems are familiar: strong sterling, high interest rates and recessionary markets. Feedstock price problems were exacerbated as polypropylene moved upwards out of line with competing nylon and acrylic fibres, crippling Plastics. For the current year, group profits may at best be maintained. Net borrowings have risen to pay for Regal, but the acquisition is showing profits net of financing costs and contributed £70,000 for five months. Any real recovery, however, looks as though it will have to wait on a softening of sterling against the dollar. The p/e on stated earnings is 6.5 while the near 10 per cent yield lags the sector by two points.

H. Samuel moves up to near £15m

ANOTHER YEAR of progress is reported by H. Samuel Jeweller, with pre-tax profits for the 12 months ended February 1, 1980, ahead from £13.43m to £14.94m, on increased turnover of £73.36m, compared with £63.12m. At half-time, taxable surplus had risen from £2.93m to £3.22m.

The directors say that strong conditions make it difficult to forecast for the current year. However, turnover to date has been more than maintained.

The company is continuing its expansion and seven new branches and a number of extensions are already planned. After tax of £5.5m (£4.81m) earnings per 25p share moved up by 1.58p to 18.2p, while a second interim dividend of 5.524p effectively increases the total from 9.2p to 6.25p net per share.

In a year which included both the VAT hike and a tetchy Christmas period H. Samuel has produced some reasonable results. The company has a sound financial position, has shown steady growth for a decade and was able to avoid gold purchases during the recent boom because it holds heavy stocks. Equally, it did not take a beating from holding down jewellery prices during the surge since around three-quarters of its products are just 9 karat in content. The yield of 6.5 per cent at 135p, down 4p, and the p/e on a full tax charge of 9.4 suggest a respectable position in the market. This year, H. Samuel's expansion plans and favourable stock position may combine to help the group withstand difficulties in consumer spending. Maintained profits should be the minimum expectation.

Ambrose Tst.

The net total dividend of Ambrose Investment Trust is being raised from 5.5p to 6.7p for the year to March 31, 1980, with a final of 4.1p.

Full-year income increased from £622,259 to £766,711 before tax of £235,371, against £198,473.

Net asset value is given as 31.6p (30.57p) per 25p income share, and as 158.77p (207.2p) per 25p capital share.

SPAIN	Price	% + or -
May 16		
Banco Bilbao	203	
Banco Central	217	
Banco Exterior	206	
Banco Hispano	200	
Banco Ind. Cal.	152	
Banco Madrid	141	
Banco Santander	237	
Banco Urquijo	140	
Banco Vizcaya	208	
Banco Zoragoza	200	
Gragedos	76	+1
Industria	51	+1
Fecsa	59.7	+0.5
Gal. Pecuaria	24	-1
Industria	69.7	+0.5
Industria	60	+0.3
Petroleros	101	+0.3
Petrolifer	59	
Sopelana	107	
Telafonica	62.7	
Union Elect.	65	

Land Securities rises to £38m

SECOND-HALF pre-tax income of the Land Securities Investment Trust rose from £14.88m to £20.32m, giving the property development and investment company a full year figure to March 31, 1980 of £38.12m, compared with £26.36m. Total income reached £52.53m, against £75.59m.

Net rents and interest receivable increased from £54.57m to £60.38m for the year, while interest payable was down from £28.21m to £22.26m.

Tax took £15.94m (£9.71m) and earnings per 50p share are shown as 9.73p (8.07p) basic, and 9.82p (7.68p) diluted. The net dividend total is stepped up from 6.8p to 7.9p per share, costing £17.78m (£13.52m).

At balance date, the aggregate value of the group's property portfolio was £1.2m, comprising £1.18m of properties at the amounts as professionally valued on an open market basis as at March 31, 1979, and £2.52m of additions during the 1979-80 year at cost but excluding properties sold in that period.

Without adjusting for any tax which would become payable in the event of the properties being sold, consolidated group net assets amounted to £283.98m, on which basis the fully diluted net asset value per share would be 371p.

MAM slips—sees full-year downturn

TAXABLE PROFITS of Management Agency and Music, leisure group, slipped from £1.41m to £1.37m in six months to January 31, 1980, in line with the directors' expectations. But they believe the full-year surplus will be somewhat lower than was anticipated—pre-tax profits reached £3.12m for 1978-79.

Although turnover continues to increase—advancing to £10.42m (£8.78m) in the half—rising costs are having an adverse effect on current profitability, they add.

The interim dividend is raised from 2.6125p to 2.8p net, and the directors expect at least to maintain the final at 5.3875p even though they see a reduced profit for the year.

Earnings per 10p share are given lower at 8.74p, against 9.15p, after tax of £712.230 (£732.614).

The retained balance came through at £16.894, compared with £191.124.

Management Agency and Music's interim results did not go down well and the shares fell 10p yesterday to 153p. The slight drop in profit and management's forecast of a decline for the full year are due more to the reluctance of brewers to accept increased rents on the pinball and fruit machines in their pubs than to the expected fall in the contribution from Tom Jones and Engelbert Humperdinck.

A fully representative sample of approximately a quarter by value of the property portfolio as at March 30, 1980, has been professionally valued on an open market basis and this has resulted in an uplift of some 25 per cent when related to corresponding 1979 values.

Lex. Back Page

Exploration lower at £712,000

A DROP of £88,325 to £712,000 in pre-tax profits, is reported by the Exploration Company, investment dealer, for 1979. At half-way pre-tax profits fell from £794,901 to £706,576.

However for the current year, the directors are raising the interim dividend from 0.7p to 1.25p.

El Oro Mining and Exploration, a subsidiary of Exploration Company, also reports lower pre-tax profits at £251,087 against £256,267. Tax charged was £251,126 (£257,065). The interim dividend for the current year is raised from 1.4p to 2.5p.

Machine rental produces more than half MAM's profit compared to less than 10 per cent from the entertainment business. But while "pop stars" may be erratic, the machines require a fleet of 500 costly service cars. The prospective yield of 9.5 per cent and p/e of 11.9 on an estimated £2.9m pre-tax profit for the year suggest that investors do not like either very much.

Helical Bar moves ahead to £259,000

PRE-TAX profits of Helical Bar, steel reinforcement and stockholding concern, reached £259,000 for the 40 weeks in February 2, 1980, compared with £137,000 for the previous year. The directors say a good start has been made to the current period.

A final dividend of 1.75p, against the mid-term forecast of not less than 1p, lifts the total to 2.75p (1p). Earnings per 25p share are shown well ahead at 7.7p (3p).

Tax took £37,000 (£49,000), and there was an extraordinary credit of £45,000 (£29,000) debit. Turnover amounted to £1.25m (£8.15m). The pre-tax surplus included increased share of associates' profits at £52,000 (£29,000).

Now you know us better—please call us by our first name

Sedgwick Forbes Bland Payne is now known as

Sedgwick



The Reo Stakis Organisation Limited

INTERIM REPORT

- Record group profits before tax, up 18% at £1,471,000.
- All divisions improve on last year.
- Interim dividend increased by 56%.
- Prospects for second half viewed with cautious optimism.

The unaudited results for the half year ended 30 March 1980 are as follows—

	Half year (26 wks) ended 30 March 1980	Half year (26 wks) ended 1 April 1979	Year (52 wks) ended 30 Sept 1979
	£'000	£'000	£'000
Turnover:			
Hotels and Inns	14,341	12,136	26,173
Casinos	3,597	2,634	6,059
Wholesale Wines and Spirits, and Off-licences	13,281	14,160	26,398
	31,219	28,930	58,630
Trading Profit:			
Hotels and Inns	766	660	2,198
Casinos	821	602	1,359
Wholesale Wines and Spirits, and Off-licences	301	224	548
	1,888	1,486	4,105
Interest	356	188	393
	1,532	1,298	3,712
Employee Share Schemes	61	52	148
Profit before Tax	1,471	1,246	3,864
Tax	440	373	1,067
Profit after Tax	1,031	873	2,487
Extraordinary Items	—	—	11
	1,031	873	2,486
Earnings per Share	1.93p	1.64p	4.70p
Dividend per Share	0.4p	0.256p	1.16p

Notes:

1. The figures for the half year ended 1 April 1979 have been adjusted to take account of the change in Accounting Policies made in the Accounts for the period ended 30 September 1979.
2. The average rate of tax charged in the period to 30 September 1979 was 29.5% and this has been used in arriving at the tax charge for both half years shown above.
3. The interim dividend will be 0.4p per share after tax credit as against last year's interim of 0.256p. It will be payable on 11 September 1980 to all shareholders registered at the close of business on 15 August 1980. This increase will reduce further the disparity between the interim and final dividends.
4. All references to earnings per share and dividends per share have been adjusted with regard to previous periods to take account of the capitalisation issue of 1 for 2 made on 11 April 1980.

Stone-Platt plans assets sale to cut borrowings

IT IS proposed to dispose of certain of Stone-Platt Industries' assets to make a substantial reduction in borrowings and to bring the group into better financial balance, Sir Geoffrey Hawkins, chairman, says in his annual report.

A reduction in borrowings will have a wholly beneficial effect on the group's financial position, the chairman adds. "I hope that within the next year most, if not all, of this will have been accomplished."

The group's electrical, marine and pump businesses are all forecasting better results than in 1979 and the performance of the overseas companies should again be satisfactory, Sir Geoffrey says. "Nevertheless, 1980 is

bound to be a difficult year." As a group, Stone-Platt has to face the very difficult situation caused by the growth in short term borrowings and the reduction in net assets caused by the need to write off large provisions as extraordinary items, the chairman states.

The group's main operating problems are within the UK operations of two of the group's divisions which are engaged in restructuring. Platt's Lowell in Lancashire and have made certain management changes.

The restructuring also includes closure of the Oldham plant by the end of the year, efforts by the electrical division to transfer work there from Crawley having proved unsuccessful. The marine activi-

ties are also being reappraised. As reported, a loss before tax of £2.94m was incurred in 1979 compared with a £9.51m profit previously. Out of total sales of £211m, sales to customers outside the UK were 77 per cent. Exports from the UK of £58m accounted for 65 per cent of UK output.

The unexecuted order book at the end of 1979 stood at £151m. The 1979 year-end order book was £170m but this included an unexecuted order of £32m for the Middle East which was subsequently cancelled.

A valuation of the majority of the group's properties in Europe and the U.S., at December 31, 1979 amounted to £19.4m which was £8.5m in excess of book value.

REPORTS TO MEETINGS

Metalrax off to good start—keen to make acquisitions

A VERY satisfactory start to the current year had been made by Metalrax (Holdings), engineering group, Mr. John Wardle, chairman, told shareholders yesterday.

Company liquidity in the first quarter had increased radically. The group had quite a substantial sum in the bank and was keen to acquire other suitable companies in cash or share transactions, he said.

The company had coped well with the engineering and steel strikes but the knock-on effects were still to come. However, unless there was a disaster, holders should be well satisfied

with the results for the first half, he concluded.

Approval was given to an increase in authorised capital from £1.2m to £1.45m.

At other meetings, chairman Thomas Jourdan—Results to date indicate that first-half profits will be a record.

Home Charm—Since reporting in the annual statement that sales since the beginning of 1980 had increased by 25 per cent, indications were not showing the same growth. While the outcome for the first half may well be affected by this

slowdown in sales, the chairman was confident of the company's ability to overcome whatever difficulties lie ahead.

Spirax-Sarco Engineering—The group's stock of materials, components and finished products carried it through the steel strike, although at some extra cost.

At home, recent weeks had shown signs that customers were feeling the effects of reduced economic activity. The group will be looking to the overseas side, where orders continue at a very satisfactory level, to make good any further downturn in the UK economy.

"We shall undoubtedly have to work hard to fulfil our plans for 1980," Glasgow Pavilion—Although it is too early to make any forecast either in respect of profitability or dividends, since the pantomime season has been profitable, in addition, the company had a strong cash position with interest accruing from monies on deposit.

The directors were now able to move ahead with plans to broaden and strengthen the interest of the company, principally in leisure activities. Despite a disappointing pantomime season, the theatre was virtually fully booked until spring 1981, a position not achieved for several years.

NORTH BRITISH PROPERTIES

Of the £3,240,387 91 per cent convertible unsecured loan stock 1979 of North British Properties offered by way of rights to the ordinary shareholders, around 90 per cent nominal has been taken up.

AMALGAMATED METAL CORPORATION (metal and machine merchant, ex-america)—Results for 1979 reported April 24. Chairman says the key to the year's success must be the restoration to profitability of its physical metal trading activities. Group fixed assets £3.84m (£3.23m), net current assets £2.25m (£2.73m), investment £23.11m (£22.63m). Unimproved land £1.5m (£1.5m), EC June 5, 10 am.

HADEN CARRIER (mechanical and electrical services, metal finishing, mechanical engineering)—Results for 1979 reported April 25 in full preliminary statement. Net liquid funds increased by £3.84m (£3.23m). Group fixed assets £13.31m (£12.44m), current assets £20.42m (£19.55m), net current assets £6.81m (£6.12m). Meeting, 7.12, Tavistock Square, WC, June 6, 3 pm.

AGRICULTURAL AND ASSOCIATED COMPANIES (distributing)—Results for 1979 reported April 30, 1980, reported April 11. Chairman says price is strongly based and there is the prospect of a substantial improvement in results as a result of new arrangements now being planned and an improvement in the market. Group net current assets £7.88m (£7.15m), fixed assets £2m (£1.91m). Meeting, 10 am, Regent Street, June 3, noon.

LILLESFALL COMPANY (steel rolling, stockholding and engineering)—Results for 1979 reported April 23. Group fixed assets £2.11m (£2.25m), net current assets £1.4m (£1.13m). Shareholders' funds £2.03m (£2.23m). Working capital increased £240,000 (£210,000). Meeting, 10 am, Regent Street, June 4, noon.

GILL AND DUFFUS GROUP (commodities broker, merchant, general)—Results for 1979 reported April 10. Group fixed assets £1.91m (£1.15m), net current assets £34.58m (£25.00m), investment £211,000 (£225,000) reduced on CCA basis to £271,000 (£211,000). Company has made good gains in 1980. Meeting, Belfast, June 4, noon.

BARTON AND SONS (engineering, tubing and foundry, industrial services)—Results for 1979 reported April 3. Chairman says group has made encouraging start to current year. Inflation adjusted pre-tax profits £1.4m (£1.2m), net current assets £3.3m (£3.5m), Group fixed assets £3.3m (£3.5m), net current assets £1.95m (£1.75m). Meeting, 10 am, Regent Street, June 4, noon.

FINLAY PACKAGING (colour printing)—Results for 1979 reported April 10. Fixed assets £1.17m (£1.13m), net current assets £1.15m (£1.13m). Historical profit £211,000 (£225,000) reduced on CCA basis to £271,000 (£211,000). Company has made good gains in 1980. Meeting, Belfast, June 4, noon.

BUTTON COLLIERY, June 4, at 12.30 pm. UNITED CARRIERS (road transport, leasing and credit, finance, engineering)—Results for 1979 reported January 26, 1980, reported April 23 in full preliminary statement. Group fixed assets £1.15m (£1.13m), net current assets £2.4m (£2.2m). Shareholders' funds £11.72m (£9.7m). Meeting, Swindon, June 4, at noon.

HOCKLEY AND HORTON (building and hospital equipment group)—Results for 1979 reported in full preliminary report on April 25. Fixed assets £2.4m (£2.2m), net current assets £300,437 (£1.58m), bank loans and overdrafts £1m (£1.22m), working capital £228,225 (£227,500). Meeting, Birmingham, June 2, 12.30 pm.

ENGLAND AND SONS (WALSINGTON) (producer merchant)—Results for 1979 with prospects reported April 15. Group fixed assets £1.14m (£1.20m), net current assets £238,021 (£212,544). Decrease in working capital £112,544

RTZ negotiates stake in Cerro Colorado

BY PAUL CHEESERIGHT

RIO TINTO-ZINC, the London mining house, yesterday fore-shadowed a major increase in its £450m a year copper business by disclosing that it was having talks with the Government of Panama on the possibility of taking up to a 40 per cent stake in the £18.7m Cerro Colorado project.

The discussions were requested by the Panamanian Government at the end of last week, a spokesman said. An agreement could be finalised in about a week's time.

Such an agreement would involve both a financial and an equity arrangement and would provide a basis on which RTZ and the Government would move together towards a final feasibility study of the deposit. A decision on mine development could be made in about a year's time.

The Government has been seeking for some years a way of bringing Cerro Colorado, about 180 miles west of Panama City, to production. It is one of the world's major copper deposits with huge reserves of up to 2.2bn tonnes, but a low grade averaging 0.7 per cent copper and 0.015 per cent molybdenum with small quantities of silver.

Government hopes were checked in April when Texasgulf, the U.S. group with a 20 per cent holding in the project, decided to withdraw. This prompted the Government to solicit from major mining groups proposals for a way forward.

RTZ's proposals, the details of which have not been revealed, have been under consideration for some time. The Panamanian invitation to RTZ on finalising agreement indicates that it has now become the front-runner to bring the deposit to production.

The Government has for long held an 80 per cent stake but was apparently told last autumn that in view of the strains on its external finances, it should reduce the holding to 60 per cent.

The way is therefore open for RTZ to take back the existing Texasgulf stake and a portion of the Government holding, which is in the hands of Codelma, the state mining agency.

Over the past year, as the metal markets emerged from the recession, the prospect for Cerro Colorado have looked brighter. The low grade of the copper has meant that it has to be mined intensively to gain economies of scale, but this in turn has created further difficulties.

The deposit is in a remote mountainous area, and a complete infrastructure has to be created, including a new port. But energy costs should be moderate because of the available hydroelectric resources.

Certainly the project is so large as to be beyond the reach of a single state agency or independent company. However, RTZ has accepted that the days when it could act on its own in a

project have passed. The Canadian Export Development Corporation has agreed to provide loans of £1.13bn (£490.3m) and Codelma is balking this sum may be increased.

Swedish Arctic iron mine may be better

SWEDEN'S STATE-OWNED iron ore mining company LKAB expects to make the fifth successive pre-tax loss this year, but hopes to move closer to the break-even mark.

Mr. Sven Johansson, managing director, expects the company to lose about Skr 400m (£25.7m) in 1980, a reduction of more than Skr 400m against the 1979 deficit, reports William Duffice from Stockholm.

The company, which operates the Arctic Circle mine, made a consolidated loss before extraordinary items of Skr 492m for 1979. Sales for the year rose by 16 per cent to Skr 2,27bn. Ore deliveries increased by more than 1,800,000 tonnes, and reduced electricity consumption by 6 per cent.

During the year the company received a state grant of Skr 440m to cover previous losses, issued Skr 200m in new shares and obtained an interest-free loan of Skr 45m from Statsforetag, the state holding company.

After extraordinary items, which included the state grant, LKAB had a pre-tax loss of Skr 51.1m (£3.2m), more than Skr 300m lower than the deficit for the previous year.

Mr. Johansson described the 1979 loss as still "very serious," but added that the rationalisation programme, which has cut the number of employees by 1,800 since 1976, and reduced electricity consumption by 6 per cent, should lead to a further reduction in the loss this year.

LKAB has negotiated price increases for this year of 25 per cent for its iron ore pellets and of nearly 30 per cent for other ore grades in dollar terms. The decline in the dollar exchange rate probably means that the increases will work out about 5 per cent lower in krona terms, Mr. Johansson estimated.

He said that his reservations about developments in 1980 included the risk of another substantial decline in the world market for steel. He also feared that the strong inflationary pressure in Sweden and an increasingly intolerable taxation system might produce a cost rise which could again place under threat international competition.

Mr. Johansson was, however, cautiously optimistic about ore market developments during the first half of the 1980s. Even with a slow rate of growth in the

world steel industry, he said: "It is difficult to see how the increasing demand for ores is going to be covered by the production capacity so far decided on."

Agnico-Eagle in good shape

CANADA'S GOLD and silver-producing Agnico-Eagle has made a buoyant start to 1980 in line with the strong precious metal prices prevailing in the first quarter. Net earnings for the period amounted to C\$ 4.56m (£1.7m), or 33 cents per share.

This follows the record of C\$ 7.95m for all of 1979 which compared with only C\$ 2.54m in 1978. Last year's earnings stemmed from an average gold price received by C\$ 366 per ounce and one of C\$ 16 per ounce for silver.

Earnings will probably ease in the current quarter with the lower metal prices prevailing. But as the president, Mr. Paul Pena, points out, "very adequate profit margins" are anticipated for its gold and silver output this year in the light of low production costs which last year equalled below C\$ 130 per ounce for gold and just over C\$ 6 for silver.

Meanwhile, the mining properties are in good shape—the company has been awarded the regional John T. Ryan Trophy for the lowest accident rate and the ore reserve is healthy. A second dividend of U.S. 15 cents has just been paid following the maiden declaration last year of 10 cents.

Shareholders looking for a further increase in the distribution are biding their time for some good news from Mr. Pena at the Toronto meeting on June 20. The shares were C\$ 11.75 yesterday in Canada and around 438p in

ZAMBIA GRANTS URANIUM RIGHTS TO JAPANESE

The search for uranium in Zambia has been given impetus by an agreement just signed by a government agency and the semi-official Power Reactor and Nuclear Fuel Development Corporation of Japan. The Japanese group will spend about £1.3m (£560,000) on exploration this year.

The agreement, which covers prospecting and mining rights in the south of the country, follows accords on uranium exploration reached with Agip of Italy and Saarberg Interplan of West Germany.

Other applications for uranium prospecting rights in Zambia are being considered from U.S. Steel, Noranda Mines of Canada and a subsidiary of British Nuclear Fuels, said a spokesman at the Ministry of Mines.

Gerrard & National DISCOUNT COMPANY LIMITED

Extracts from the Statement by the Chairman, Mr. R. G. Gibbs

* The Group loss after taxation for the year ended 5th April 1980 amounted to £1,117,000 compared with a profit of £5,006,000 in the previous year. The Group loss consisted of a loss in the Company of £1,169,000 (1979: Profit £4,435,000) and profits from the subsidiary companies of £52,000 (1979: £571,000).

* A Final dividend of 6.5p (1979: 5.124p) is proposed. This, together with the Interim of 5p (1979: 4p), will make a total distribution for the year of 11.5p—an increase of 26.04%.

* Disclosed shareholders' funds now stand at £25.1m. compared with £28.1m. last year. Inner Reserves stand at a higher figure than previously.

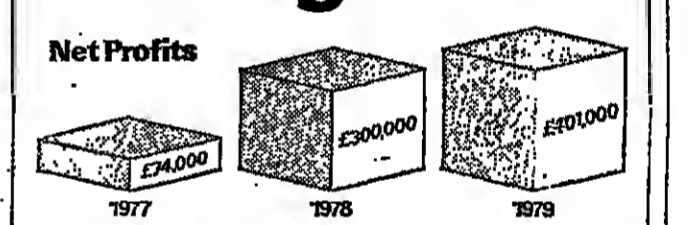
* Interest rates both here and in the United States have fallen in recent weeks and during this period we have lengthened our book considerably, and have thus started our new year on an encouraging note.

	1980	1979
Profit (Loss) for year*	(1,117)	5,006
Transfer to General Reserve	1,500	1,500
Total cost of dividends	1,729	1,383
Ordinary dividends (gross)	65.71%	54.47%
Disclosed Shareholders' Funds	25,084	28,122
Total Assets	1,200,619	1,213,004

*After taxation and a transfer to inner reserves.

Gerrard & National Discount Company Limited
32 Lombard Street, London EC3V 3BE. Tel: 01-623 9981

Leasing Record



Extracts from the Chairman's Statement
Net profits after tax for 1979 were £401,260, an increase over the previous year equal to 33.8%.

The volume of leasing business we concluded, however, decreased by 25% to 10 million. This resulted directly from our rigid criteria in evaluating residual values on IBM's 303X series. Our adherence to this policy has been fundamental to our past success and I am confident it will maintain United Leasing as one of the most stable and profitable operating leasing companies well into the 1980's.

During the year we formed a number of new companies and United Computers Limited will be our vehicle for buying and selling IBM data processing equipment. Our overseas activities will be conducted under the auspices of United Leasing International Limited. This company already owns a German subsidiary, United Leasing GmbH and very shortly will be setting up a French subsidiary.

In 1979, we launched a new business, 'Art Rental for Offices'. Art rental will never match the sheer volume of computer leasing but it is a venture which fits in totally with our corporate objectives.

There are now clear pointers that during the 1980s, operating leasing will emerge as the principal growth area of leasing. We are committed to firmly maintain the leaders.

FARMY MITCHELL Chairman
United Leasing Limited
1 Albemarle Street, London W1X 3JF
Telephone: National 01-491 4553 International +441 491 4553
Telex: Unilex 22394

COMPAGNIE FRANCAISE DE L'AFRIQUE OCCIDENTALE

The Board of the Company has recently reported upon the Accounts for the financial year ended 31st December, 1979.

After having made all provisions considered necessary and taking into account the exceptional items of Frs. 4,447,087 recorded in 1979, the post-tax profit for the year under review, at Frs. 46,021,158.50, showed a progression of 10.9%.

The consolidated Group profits for 1979 totalled Frs. 142 million (1978—Frs. 79.6 million), including extraordinary items amounting to Frs. 14.5 million (1978—Frs. 4.4 million) and the reversal of provisions of Frs. 29 million. These figures were achieved on a turnover of Frs. 6,580 million.

The Ordinary General Meeting convened to approve the Accounts for 1979 will be held in Paris on 18th June next at 10.30 a.m. The Board will propose a dividend of Frs. 28.50 (including tax credit of Frs. 9.50) compared with Frs. 25.875 in respect of the previous year.

CREDITANSTALT—BANKVEREIN
U.S.\$40,000,000 Floating Rate Notes 1984
Notice is given pursuant to conditions 3 (d) of the terms and conditions of the above-mentioned Notes that the Rate of Interest (as therein defined) for the Interest Period (as therein defined) from 21st May, 1980, to 21st November, 1980, is at the annual rate of 11 1/8 per cent. The U.S. Dollar amount to which the holders of Coupon No. 7 will be entitled on duly presenting the same for payment on 21st November, 1980, will be U.S. Dollars 60.38, subject to such amendments thereto made by European-American Bank & Trust Company as Principal Paying Agent (or appropriate alternative arrangements by way of adjustment made by the Principal Paying Agent, with the consent of Lloyds Bank Limited (as Trustee) without further notice, in the event of an extension or shortening of the above-mentioned Interest Period.

EUROPEAN BANKING COMPANY LIMITED
(Agent Bank)
20th May, 1980.

Global Natural Resources Properties Limited

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting of the members of the Company will be held at The Grand Hotel, St. Helier, Jersey, Channel Islands, on Friday 13 June 1980 at 11.00 A.M. (Jersey time) to transact the following business:

Receive and approve the Reports of the Directors and the Financial Statements and the Auditors' Reports thereon for the year ended 31 December 1979

Elect three Directors of the Company

Appoint Peat, Marwick, Mitchell & Co. auditors of the Company and authorise that the remuneration of the auditors be fixed by the Directors

and as Special Business to consider and if thought fit pass the following resolutions as Special Resolutions of the Company:

- That the name of the Company be changed to "Global Natural Resources Limited"
- That the Articles of Association of the Company be amended by the addition at the start of Article 32 of the words "unless and to the extent that the Board may from time to time agree" (See Note).

By Order of the Board
Anthony C. Boakes, Secretary

Note: At present the Company's Articles of Association in effect provide that holders of bearer shares are not entitled to become registered shareholders in respect of their bearer shares. The recommended change in Article 32 is to give the Board power to authorise the exchange of bearer shares for registered shares. Whilst no decision has been taken by the Board to give such authority, the Board considers that the marketability of the Company's shares would be improved in countries where bearer securities are unusual. The change would not impose an obligation on an existing holder of bearer shares to exchange them.

Instructions for Voting

- Copies of the Company's Annual Report for the year ended 31 December 1979, including the Report of the Directors, audited Financial Statements and Auditors' Report and the Form of Proxy may be obtained from the office of GNRP Shareholder Services Limited ("Shareholder Services"), 2 Norfolk Square, Brighton, Sussex, England BN1 2PB.
- A holder of a bearer share warrant certificate representing Common Shares of the Company is entitled to attend and vote in person or by proxy at the Meeting if not later than 11.00 A.M. (Jersey time) on 10 June 1980 such holder has:
 - Obtained from Shareholder Services by mail or personal application a Certificate of Deposit of Share Warrant Certificates and Form of Proxy (indicating language preference, English, French, German or Spanish);
 - Lodged the bearer share certificates with a depositary bank of the holder's choice in accordance with the instructions on the Certificate of Deposit and Form of Proxy;
 - Returned the completed and executed form of Proxy to Shareholder Services, 2 Norfolk Square, Brighton, Sussex, England BN1 2PB, prior to 11.00 A.M. 10 June 1980.
- To attend and vote in person at the Meetings, the holder must produce the completed Certificate of Deposit at the Meeting.
- To attend and vote by proxy at the Meeting such holder must lodge the completed Certificate of Deposit and Form of Proxy with Shareholder Services prior to 11.00 A.M. 10 June 1980.
- A member of the Company entitled to attend and vote at the Meetings may appoint another person (who need not be a member) as his proxy to attend and vote instead of him.

LILLEY GROUP

UPWARD TREND CONTINUES

Extracts from the accounts and statement by the Chairman, Mr. J. Aitken.

* The upward trend in the Group's trading has continued, turnover having increased by 22 per cent and pre-tax profits by 21 per cent.

* The Group's liquid position remains strong.

* The final dividend recommended of 2.31p makes 3.85p for the year and is covered 4.2 times.

* A major step in the Group's development is the acquisition on 30th April 1980 of 80 per cent of the share capital of Harrison Western Corporation, a construction company of Denver, Colorado.

"The construction industry in the United Kingdom is still in recession... for that reason the Group has accelerated its policy of finding new markets, whether by way of selective acquisitions or entry into other geographical areas; its prospects for the future, although once again its order book is at a record level, must rest on its proven success in overcoming those conditions which tend, at any given time, to depress the traditional markets of the industry."

TURNOVER £m's

76	274
77	34.5
78	54.6
79	65.5
80	80.0

PRE-TAX PROFITS £m's

76	2.0
77	2.5
78	3.1
79	4.2
80	5.1

NET EARNINGS PER SHARE

76	7.97p
77	9.75p
78	10.88p
79	12.96p
80	16.89p



The Lilley Group is a large international construction combine. The spread of the Group's activities includes foundations and concrete works, industrial buildings, housing, tunnelling for drainage and underground railways, shaft sinking and tunnelling for mine development, the construction of pipelines and treatment works for water and sewage, bridges and harbour works, ground engineering services, steel fabrication, and the manufacture of de-watering equipment, pipes and flanges.

For a copy of the Annual Report please contact the Secretary, F J C Lilley Limited, 331 Charles Street, Glasgow G21 2QX

THE INTER MARITIME GROUP OF COMPANIES is pleased to present its Senior Management team:



Mr. Frederick W. ROCKEY
former Vice President and General Manager of the First National Bank of Chicago, Geneva branch, is now General Manager of INTER MARITIME BANK, 5, quai du Mont-Blanc, 1211 Geneva 1, telephone 022/32 00 07



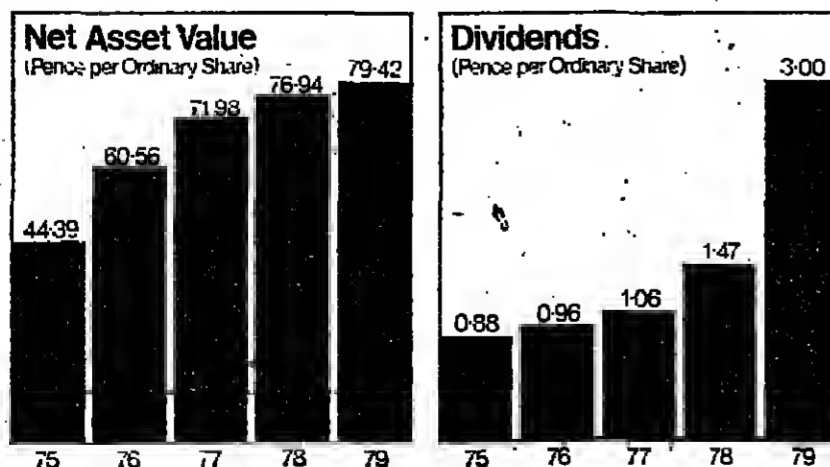
Mr. Ingemar WAHLSTRÖM
former President of Granges Shipping, Stockholm, is now Director of Maritime Affairs, INTER MARITIME MANAGEMENT S.A., 5, quai du Mont-Blanc, 1211 Geneva 1, telephone 022/31 69 50



Mr. Howard J. PODUSKA
former President of The Bank of New York Company, now serving on the Board of INTER MARITIME BANK, INTER MARITIME MANAGEMENT S.A., is responsible for the development of these companies' activities in the United States. Mr. Poduska is located at PETROPORT, 100 Wall Street, New York, N.Y. 10005, telephone 212/363 54 54

J.B. Holdings

The Johnston Group of Companies



- * Road suction cleaners, hydraulics and garage operators.
- * Civil engineering, industrial building, road maintenance.
- * Roadstone quarries, concrete and g.r.p. pipes.

Copies of the Annual Report and Accounts may be obtained from the Registrar, Midland Bank Limited, Registrar's Department, Courtwood House, Silver Street Head, Sheffield S1 3SD.

Companies and Markets

BIDS AND DEALS

Amalgamated Industries sells 77% of Derritron

Amalgamated Industries, a subsidiary of Seton Trust, which is itself owned by Seton Securities, has sold a holding of 77 per cent—some 9,221,785 shares—in Derritron, the electronic equipment group. The shares were sold at 21p so the holding is valued at £1.94m.

The shares have been sold to investment clients of Rowe Rudd and Company, the stockbrokers. The placing was organised by Mr. Tony Rudd who heads Derritron.

Although Amalgamated Industries still holds 1m ordinary shares in Derritron, Derritron no longer maintains its subsidiary status within Amalgamated. In the opinion of the directors Derritron is no longer a close company.

Mr. Tony Rudd said that a wide range of investors had taken up the shares from the Amalgamated sale.

Mr. P. C. Heggard of Seton and Mr. A. Heggard have resigned as directors and Mr. G. P. Kelly

has been appointed to the board. Derritron warned yesterday that on present indications the trading results for 1979 are likely to show a reduced profit. However it is considered appropriate to write off major exceptional items as a consequence of which the outcome for the year is now likely to be close to a break even position. The directors believe 1980 will see a significant recovery in profitability.

A. G. STANLEY

A. G. Stanley, the home decorating group, is making an offer for the 13.2 per cent of the "A" ordinary shares of Morris and Blakey Wall Papers which it does not already own.

Stanley is offering three of its own ordinary shares under the deal plus 870p cash for every 20 Morris and Blakey "A" ordinary shares.

STEAM ROMANA

The Stock Exchange listing of Steam Romana (British) was restored at 9.30 am yesterday.

ACC and RCA talks over Pye

Associated Communications Corporation confirmed yesterday that it is discussing the future of its loss-making Pye records division with the American company RCA.

According to Mr. Louis Benjamin, deputy chairman of ACC and chairman of Pye, talks have been going on for some weeks. "We are seeking ways and means of working together."

He said that while the company was seeking a swift decision, talks had not got as far as discussing specific ways in which the two companies could work together.

Although Pye's immediate problem, in common with other record companies, is one of overcapacity it may have a longer term interest in RCA's video discs. And RCA has already announced its intention to sell a video-disc system in Europe and has said it may licence other companies to manufacture both the players and the discs.

RCA's video-disc is designed to be cheaper, costing around \$500 in the U.S., and simpler than rival systems from Philips, JVC and Sony.

Mr. Benjamin commented: "My firm belief is that video discs and cassettes will end up being sold in the record retail stores and could well compensate for the shortfall in record sales which will not return to the levels it saw in its heyday."

The record and tapes division of ACC lost £43,000 last year. ACC also owns ATG and Classic Cinemas.

FODENS

The Norwich Union Life Insurance Society has cut its holding in Cheshire truck-maker Fodens from 11.4 per cent to 8.5 per cent of the 2.1 ordinary shares. The shares have been sold steadily in the market over the last two months.

Insurance Society has cut its holding in Cheshire truck-maker Fodens from 11.4 per cent to 8.5 per cent of the 2.1 ordinary shares. The shares have been sold steadily in the market over the last two months.

ICFC/EDITH

Industrial and Commercial Finance Corporation and Edith Duff Investment Trust are to subscribe £700,000 on new capital in Gerald Quin-Cope and Co. The issued capital of Gerald Quin-Cope and Co. has been increased to £1.31m.

The new money, which represents 42.75 per cent of the total issued capital of the company, will be used for working capital. The issued capital of Gerald Quin-Cope and Co. has been increased to £1.31m.

BERKELEY HAMBRO OFFER EXTENDED

The Berkeley-Hambro Property offer for Bishopgate Property and General Investments has been accepted in respect of 5,000 shares (70.08 per cent of the shares for which offer was made). The offer is extended to May 30.

ASSOCIATE DEALS

As brokers to Waring and Gilbey (Holdings), Fleming, Neeson-Smith and Company, on May 16 and May 19, bought respectively 300,000 and 800,000 ordinary shares of Maple and Company (Holdings) at 34p, bringing Waring's total holding to 4.1m (14.88 per cent).

Geers Gross paying £1m for U.S. firm

BY ALAN FRIEDMAN

GEERS GROSS, one of the two major quoted advertising agencies in the U.K., is to acquire Martin Landay Arlow Advertising, a New York firm, for a consideration of \$2.3m (£1m).

Mr. Charles Hoare, the chairman of Geers Gross, said yesterday that this was the group's second U.S. acquisition and would enlarge the American base. "We will now be a company with a turnover of more than \$50m. This is what we need to enter the big time in the States."

Group turnover is expected to rise to more than \$125m (£55m) this year, placing Geers Gross among the top 40 agencies in the world.

The group's UK-U.S. profit split should soon be 50-50, according to Mr. Hoare.

The company, which recently reported double pre-tax profits of £327,000, has funded the acquisition in part by a placing of 1.6m ordinary shares at 43p. The balance is being made available from the group's cash resources.

The details of the acquisition are to be sent to shareholders in a circular being posted today. An extraordinary general meeting will be held to approve the transaction.

Shareholders holding more than 51 per cent of the ordinary shares have already agreed to vote in favour of the deal.

Mining Supplies builds up Laurence Scott stake

BY REG VAUGHAN

IN A move to protect its interests Mining Supplies, the mining machinery and general engineering and electrical group, is building up a strategic stake in Laurence Scott, the troubled electrical machinery and control gear maker.

Through the market MS is offering to pay 60p per share to take its shareholding up to 29.9 per cent—just below the level at which a bid would have to be made under the Takeover Panel rules.

Rowe and Pitman, on behalf of MS, is offering to buy a total of 2,436,169 shares—equal to 25.9 per cent of the Scott equity. MS already held a 4 per cent interest. Rowe and Pitman started buying yesterday and at the end of the day had picked up 1,545,000 (16.4 per cent). It expects to complete the operation today. Scott shares

Mr. Paul Tapscott, chairman of closed 10p higher at 62p.

Laurence Scott, said: "We are studying the implications of this situation. At this stage the initiative is clearly with Mining Supplies. The companies have substantial areas of common interests," he added.

Laurence Scott supplies MS with electric motors and other related items and also does a lot of work for the coal mining industry in areas where MS is heavily involved.

Mr. Arthur Snipe, chairman of MS, said yesterday that a closer relationship with MS would "improve the potential of Laurence Scott enormously." And he did not rule out the possibility of a full bid at a later date.

Mr. Snipe said that MS had worked with Laurence Scott over the past few years hand placed development contracts with the company. But the recent trading upsets left the group "highly vulnerable."

Mr. Snipe said: "We have gone in to protect our own interests and we are leaving our options open on whether we want to bid."

But Mr. Snipe made it clear that if MS does launch a bid for the balance "the price won't be any more than we have paid today."

Laurence Scott, which recently received an approach for its PPD Engineering subsidiary from Hambros Bank acting for an investing group, revealed losses of £1.57m for the half-year ended September 30, 1979, compared with a profit of £465,000.

In the half-year ended October 27, 1979, MS was hit by the engineering strike and profits fell from £1.22m to £0.55m. Prior to this the company had shown five years of rising profits rising from £350,000 in 1973/74 to £2.27m in 1978/79. Despite the first-half setback Mr. Snipe said that the full year would be "impressive."

Laurence Scott has announced a new managing director for its PPD Engineering subsidiary. He is Mr. Eric Sidelbotham, managing director of Thorn Automation since 1972, who is filling the vacancy left by the departure of Mr. Roy Ashman. Mr. Ashman is now head of Harland Simon (1980) the company that Hambros is acting for in respect of PPD.

SHARE STAKES

Regis Portland Cement—Following the recent rights issue, the shareholding of staff nominees has fallen to 4.71 per cent.

Sekers International—Grove-wood Securities has acquired a further 92,500 shares and now holds 13.1 per cent.

John Howland and Company—F. P. Beck, director, now holds 34,522 shares non-beneficial and

26,532 beneficial; Sir Edgar Beck now holds 35,943 non-beneficial and 59,195 beneficial.

Bejam Group—Mr. J. D. Aphor, chairman, has sold 250,000 ordinary at 74p.

E. Fogarty—Mr. C. R. W. Fleet, director, disposed of 180,000 shares from his beneficial holding, and 23,136 from his non-beneficial holding.

EUROPEAN OPTIONS EXCHANGE

Series	Vol.	July	Last	Vol.	Oct.	Last	Vol.	Jan.	Last	Stock
ABN C	F.260	4	33.50	—	—	—	—	—	—	F.292
ABN C	F.280	1	16	—	—	—	—	—	—	F.292
ABN C	F.300	1	16	—	—	—	—	—	—	F.292
ABN C	F.310	5	2.50	—	—	—	—	—	—	F.292
AKZ C	F.22.80	45	2.30	180	8.70	—	—	—	—	F.84
AKZ C	F.23	15	0.80	2	1.70	—	—	—	—	F.84
AKZ C	F.27.50	10	0.30	51	0.80	—	—	—	—	F.84
AKZ P	F.23.50	10	4.50	—	—	—	—	—	—	F.84
AKZ P	F.24	10	4.50	—	—	—	—	—	—	F.84
AKZ P	F.25	—	—	—	—	—	—	—	—	F.84
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NORTH AMERICAN NEWS

Interest rate rise hits Sears

BY DAVID LASCELES IN NEW YORK

RESET BY soaring interest rates and other problems, Sears Roebuck, the largest U.S. retailer, registered a huge drop in profits in the first quarter of this year, but said it would still pay a dividend. The quarter net loss of \$12m, but said it would still pay a dividend. The quarter net loss of \$12m, but said it would still pay a dividend. The quarter net loss of \$12m, but said it would still pay a dividend.

whereas he only tightened conditions for credit sales. Compared to the disappointing performance of Sears' merchandising operations, its insurance subsidiary, Allstate, did well with net income rising by 24 per cent, from \$36m to \$110m.

Mr. Edward Telling, the chairman of Sears, said that although the group faced problems in the short term, "for the long term we see promise." He also said the poor first quarter was not surprising in light of the credit restrictions imposed by the Administration.

He said the formation of the Seraco group, the combination of real estate and financial operations with net income of \$8m during the first quarter compared with \$10m a year ago "represented a first step toward building on the strength in merchandising and insurance for new growth business. We will continue to add new businesses that strengthen the corporation and plan to aggressively look for new opportunities."

New allies to challenge IBM in the office

By Guy de Jonquieres

IT IS not every day that three technology-based companies with leading positions in their own fields join forces to attack the same market. The alliance is the more interesting when the companies happen to be Xerox, the copier giant, Digital Equipment, the world's biggest minicomputer manufacturer, and Intel, the highly successful integrated circuit producer.

They are aiming to establish a beach-head in the market for electronic office information systems, which bring together business equipment and the technologies of computing and communications. The market is expected to boom over the next decade as more companies turn to automation to increase white-collar productivity and beat rising staff costs.

The three U.S. companies have agreed to co-operate in the further development of a local communications network, designed by Xerox, which will link different business machines in the same office or building in an electronic "loop." Packets of digital data can be sent between machines at speeds of up to 10m bits (binary digits) per second, some 400 times faster than the speed of a conventional telephone line.

Higher speeds The network known as Ethernet, will use coaxial cable, though eventually optical fibres, permitting even higher transmission speeds, may be used. As well as serving internal office needs it would be linked to an external digital telecommunications network to permit communications with machines in distant locations.

Ethernet would enable several hitherto separate office functions to be brought together into one operation. An operator at a word processing terminal could, for example, edit text or graphics stored in digital form in a computer data base and have the results reproduced automatically on a copier or facsimile machine.

Many intricate technical problems must still be solved though both in the design of the machines themselves and of the interfaces needed to enable the network to communicate. The hackers of Ethernet believe that if they can find solutions they will be in a strong position to offer the network as a "world standard," to which business equipment manufacturers will be eager to conform.

It is an ambitious gamble which seems certain to bring Ethernet into head-on competition with International Business Machines (IBM), the dominant force in the office equipment market. As well as accounting for roughly 60 per cent of the mainframe computers installed worldwide, IBM spans virtually the entire range of business machines and is highly experienced in communications technology.

One of IBM's major strengths is that its customers know that almost any product they buy from it will be technically compatible with others in its range. Hence a company can be reasonably sure that as its needs grow it can expand its system without having to dispose of existing equipment. Ethernet's backers hope that the network will provide another means to the same end by allowing a variety of equipment made by different manufacturers to be linked easily into the same system.

Diversification For Digital Equipment, the Ethernet agreement offers an opportunity to diversify from its dependence on minicomputers, which are facing growing competition from ever-cheaper and more powerful microprocessor-based machines.

Digital will concentrate on those aspects of Ethernet which directly involve computers and it will also be primarily responsible for designing interconnections with external data networks. This will complement the work which the company has already done on the development of architecture for a system linking dispersed computer terminals known as Decnet.

The third partner, Intel, in only 12 years has grown to become the world's fourth biggest semiconductor company. Through a combination of technological innovation and commercial daring, it has established an impressive record of "firsts" in marketing new integrated circuit devices.

Scandinavian Bank issues first Eurosterling FRN

BY NICHOLAS COLCHESTER

SCANDINAVIAN BANK, the UK consortium bank, is first of the mark with an issue of a Eurosterling floating rate note (FRN), following a Bank of England decision to allow banks to raise sterling in this way.

The issue, organised by Morgan Grenfell, will raise £20m for 10 years at a rate of interest 1 per cent over the London interbank offered rate for three-month sterling. This rate is currently standing at about 17 per cent. The interest will be paid quarterly and there will be a minimum annual payment on the notes of 0.5 per cent.

The attraction of this form of finance for Scandinavian Bank is that it is long term finance and it ranks as capital in that Scandinavian's guarantee on the notes is subordinated to the claims of depositors and other senior creditors of the bank. Scandinavian Bank is one of a number of banks operating in the City which have recently had to boost their capital resources because of the Bank of England's emerging capital guidelines.

The factors which make this a Eurosterling issue are first that it is being floated via an international underwriting syndicate and selling group; second, that the bonds are bearer bonds and pay interest gross of tax; third, that it is aimed at overseas as well as British investors; and, fourth, that it is being floated via an offshore financing subsidiary of Scandinavian.

The terms of the issue are closely modelled on the well-established Eurodollar FRN which has emerged in recent years as one of the Eurobond market's main financing instruments. The margin over Libor of 1 per cent has become standardised and the technique of linking the interest payments to the three-month Libor rate, rather than the six-month rate,

has also been adopted recently in the dollar market as a way of increasing the stability of the secondary market price of an FRN when interest rates are moving rapidly.

One unusual feature of the Scandinavian Eurosterling FRN is that it is pegged to a domestic rate. Classically, Euro-FRNs are pegged to offshore rates for the currency in which they are denominated.

At the first Eurosterling FRN, the success of this issue will be closely watched in the City as will the price of the notes in the secondary market. In particular this issue will test the appetite of overseas investors for sterling at a floating rate of interest and thus indicate whether the formula is viable for financing on a larger scale.

S. G. Warburg and Morgan Stanley are co-managing the issue with Morgan Grenfell. The front end fee for the borrower is 2.5 per cent.

terday but the amount of the current Alcoa issue being managed by Deutsche Bank has been raised to DM125m from DM100m originally.

Prices of Swiss franc foreign bonds were little changed. NYK Lines of Japan is floating a \$57.3m private placement through Credit Suisse. The five-year notes carry a coupon of 8.5 per cent and issue price has been set at par.

Prices of DM foreign bonds were generally well maintained. There were no new issues yesterday but the amount of the current Alcoa issue being managed by Deutsche Bank has been raised to DM125m from DM100m originally.

Prices of Swiss franc foreign bonds were little changed. NYK Lines of Japan is floating a \$57.3m private placement through Credit Suisse. The five-year notes carry a coupon of 8.5 per cent and issue price has been set at par.

Rise forecast in International Thomson sales

By Our Financial Staff

A SIGNIFICANT increase in sales but pressure on profitability is forecast for this year in the annual report of International Thomson, holding group for the Thomson North Sea interests as well as the group's newspaper and travel divisions. Both The Times and The Sunday Times have returned to publication with "significantly higher" circulation than before their suspension.

The North Sea Claymore field will be at peak production in 1980, but output at the Piper field was cut in April for an evaluation of prospective reserve performance which is expected to take six months.

Carnation ahead

Carnation, the major dairy and grocery product group, pushed earnings ahead in the first quarter from \$38.4m or \$1.03 a share to \$42.3m or \$1.13, on sales of \$764.1m against \$668.9m. Our Financial Staff writes, favourable results are anticipated for the remainder of the year. But Campbell Soup, the largest U.S. producer of canned soups, reports that third quarter net earnings barely edged forward to \$33.9m or \$1.03 a share, last year's comparable \$33.1m or \$1.00 a share. Sales at \$626.4m compared with \$580.8m.

Pressure on Chrysler bankers

BY IAN HARGREAVES IN NEW YORK

CHRYSLER's rebel European bankers, who are seeking to overturn the terms of the financial rescue agreed between the company, the U.S. Government and its major lenders, will face intense pressure in the next ten days to put their names to the deal.

But bankers and Government officials now admit in private that a few banks will be quietly and, if possible, secretly paid off.

Members of the Eurodollar syndicate, which has just over \$300m in loans to Chrysler and almost twice that sum extended to Chrysler Financial, the corporation's financing subsidiary, discovered last week that four of their members are refusing to go along with the plan.

One of these is Credit Lyonnais, the state-owned French bank. Three others are German or French. In addition, Banque Bruxelles Lambert of Belgium, which still has litigation in a New York court to try to extricate itself, is once again pressing for repayment.

According to the \$3.5bn plan agreed in Washington ten days ago, the European banks are expected to contribute a similar range of concessions on interest payments as those agreed to by major American banks. They have also been asked to convert the backlog of payments into preferred stock holdings in Chrysler beyond 1983, when Government aid runs out.

The rebel bank is strongly opposed to the preferred stock idea and is arguing that as they did not participate in the negotiations with the Government, they cannot be bound by its agreements.

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Records at Perkin-Elmer

NORWALK — Perkin-Elmer

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Sales for the third quarter were \$259.5m, a 37 per cent gain over last year. Net income advanced 32 per cent to \$17.4m equivalent to 85 cents a share against 67 cents previously.

Sales for the nine months of \$715.1m were 23 per cent up on the previous year. Agencies.

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Straight dollar issues weaken

BY OUR EUROMARKETS STAFF

PRICES of straight dollar Eurobonds softened yesterday in light trading with losses on EEC 11 per cent bonds traded at 96.4, down 34 points on their issue price, while the Kingdom of Denmark's 11 1/2 per cent issue shed 24 points to 97.

Light trading was also reported from Germany where prices of DM foreign bonds were generally well maintained. There were no new issues yesterday but the amount of the current Alcoa issue being managed by Deutsche Bank has been raised to DM125m from DM100m originally.

Prices of Swiss franc foreign bonds were little changed. NYK Lines of Japan is floating a \$57.3m private placement through Credit Suisse. The five-year notes carry a coupon of 8.5 per cent and issue price has been set at par.

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NEW ISSUE These securities having been sold, this announcement appears as a matter of record only. MAY 1980

U.S. \$30,000,000

Banco Pinto & Sotto Mayor
(Incorporated in Portugal with limited liability and wholly owned by the Portuguese State)

Floating Rate Notes Due 1985

Dillon, Read Overseas Corporation American Express Bank Credit Suisse First Boston
International Group Limited

Banco do Brasil S.A. Bank of Tokyo International Limited

Banque Nationale de Paris CIBC Limited

Samuel Montagu & Co. Limited Société Générale de Banque S.A.

Alahli Bank of Kuwait (K.S.C.) Banca Commerciale Italiana Banco Urquijo Hispano Americano
Limited

Bank of America International Bank für Gemeinwirtschaft Banque Bruxelles Lambert S.A.
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Banque Française du Commerce Extérieur Banque Générale du Luxembourg S.A. Banque de l'Indochine et de Suez

Banque de Paris et des Pays-Bas Banque de Paris et des Pays-Bas (Suisse) S.A. Banque Worms

Barclays International Group Bayerische Hypotheken- und Wechsel-Bank Bayerische Vereinsbank

Berliner Handels- und Frankfurter Bank Cazenove & Co. Centrale Rabobank Chase Manhattan
Limited

Chemical Bank International Christiana Bank og Kreditkasse Clariden Bank Copenhagen Handelsbank

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Limited

Dai-ichi Kangyo Bank Nederland N.V. Daiwa Europe N.V. European Banking Company
Limited

Fuji International Finance Genossenschaftliche Zentralbank AG Antony Gibbs Holdings Ltd.
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Hill Samuel & Co. IBJ International Kleinwort, Benson Kuwait International Investment Co. s.a.k.
Limited

LTCB International Manufacturers Hanover Mitsubishi Bank (Europe) S.A.

BORROWER PROFILE

Creditors at the end of their tether

BY MICHAEL HOLMAN, RECENTLY IN KINSHASA

ZAIRE'S \$58m payment last month of the first instalment of rescheduled commercial bank debt totalling \$432m has been greeted by most Western economists in Kinshasa with the scepticism of a probation officer in charge of a hardened recidivist.

For some five years Zaire's tangled external financial obligations have been the despair of private banks and governments. They have been caught up in the old dilemma of a moneylender whose client is patently unable to pay: should he be tied over the bad times or should he be written off?

Lenders have adopted the former approach with Zaire, though their patience has been sorely tried during a series of unsuccessful attempts to put Zaire's financial affairs in order. Thus as of June 30, 1978, according to the authoritative report prepared by Lazard Freres, Kuhn Loeb Brothers and S.G. Warburg for the bank of Zaire, the country's external public debt, disbursed and outstanding, was \$3,650m (since risen to an estimated \$4bn). The debt service ratio for 1980 is estimated at 26 per cent—but this excludes payments of arrears, amounting to nearly \$1.1bn. External debt as a percentage of gross domestic product, says the report, had risen from 32 per cent at the end of 1972 to "well over" 100 per cent in mid-1978.

It was in late 1975 that Zaire had to start negotiations to reschedule unmanageable external debts. The combination of low copper prices (copper and cobalt provide nearly three-quarters of export earnings) and a corrupt economy reeling under the effects of a disastrous nationalisation programme in 1973-74 left Zaire unable to meet its commitments. Between 1973 and 1975 Zaire borrowed some \$2,600m, mostly from private sources.

Last year Zaire and its creditors tried yet again. In early November tentative agreement was reached with the agent banks of syndicated credits on the rescheduling of the entire unsecured debt (including principal and interest) owed to private banks. It called for a substantial downpayment in 1980, small annual payments during 1981-84, and liquidation of the rest during 1985-99.

It was this agreement which was formally signed in Paris

last month by Mr. Namwisi Ma Koyi, Zaire's finance minister, and representatives of 122 commercial banks which had participated in 23 syndicated Euro-market loans. The bank debt has been extended for 10 years with interest set at 13 percentage points over the London interbank offered rate.

However, a major condition is attached to the agreement. It is conditional on Zaire's satisfactory performance in terms of a stabilisation programme agreed with the International Monetary Fund (IMF) in August last year involving a standby facility of SDR 118m.

For some five years Zaire's tangled external financial obligations have been the despair of both private banks and Governments

for the first five years and two points over for the remaining five. The \$58m payment by the Bank of Zaire at the end of last month represents interest arrears and 10 per cent of the arrears on payments of principal.

The other round of negotiations last year involved the Paris Club and on December 11 the club agreed to reschedule \$1.3bn of Zaire's debt, comprising arrears (including those on already rescheduled debt and insured short-term commercial credits) and maturities coming due during the period July 1, 1979, to December 31, 1980.

and a trust fund loan of SDR 50m.

By January this year Zaire had purchased SDR 20m under the stand-by facility and received trust fund disbursements of SDR 34.2m. But the programme had run into difficulties. The 1979 budget deficit turned out to be a huge Zaires 561m (\$280m) soaring over the Zaires 350m limit set by the IMF. An IMF mission visited Kinshasa in January to review performance and set new criteria for 1980. Meanwhile, further drawings have been suspended.

Sceptics in Kinshasa were not surprised, and point to past

stabilisation failures. In 1976 a one-year programme accompanied by an IMF standby facility included a budget deficit target of Zaires 80m. The actual 1976 deficit was Zaires 302m. In 1977 a second stabilisation programme, also with an IMF standby facility, set a target of Zaires 278m.

Will Zaire yet again prove unable to meet the terms of rescheduled bank and Paris Club debts? The first point made by economists here is that the debt service ration anticipated in 1980 is double the level recorded in recent years. Commitments are between \$440m and \$470m—equivalent to about 23 per cent of exports. Without rescheduling, payments due would have been about \$540m.

What then has changed in Zaire's political and economic circumstances which would suggest the Government is capable of meeting the target? Very little to most observers in Kinshasa.

The array of expatriates who in theory control Zaire's finances are not as effective as might appear on paper. The IMF nominated representative at the Bank of Zaire, Mr. Erwin

ZAIRE

Kaufhof increases sales strongly in first four months

BY KEVIN DONE IN FRANKFURT

KAUFHOF, West Germany's second largest retail stores group, has made a strong start to 1980 with an increase in sales of 11.7 per cent to DM 2,438m (\$1,358m) for the first four months.

According to Herr Friedrich Roessig, a member of the Kaufhof executive board, the company is also looking confidently at the prospects for the rest of the year, chiefly because the steep rise in energy costs has not yet affected retail sales as had been feared.

Strong signs are appearing, however, that such optimism could be misplaced, as the rate of sales expansion in the retail sector generally slowed significantly in March and April after being unexpectedly strong in the first two months of the year.

Fears are being voiced by major West German retailers about the sector's falling profitability and Kaufhof suffered particularly in this respect last year. Pre-tax profits fell by 18.4 per cent to DM 122.9m and after-tax profits declined by 27.8 per cent to DM 39.3m. As a result, Kaufhof reduced its dividend from DM 8 to DM 6 per share.

Last year's results were depressed particularly by two main factors. Kaufhof staged its 100-year jubilee celebration in the early autumn of 1979 and the wide range of special offers it made cut into profitability. Turnover rose last year by 8.2 per cent to DM 7.9bn for the whole Kaufhof group, while the Kaufhof department stores increased sales by 7 per cent to DM 3,995m. The slow start to 1979 was offset by the special jubilee sales campaign in the autumn and the Kaufhof stores boosted sales in the second half by fully 14 per cent.

Last year's profit was also depressed by the surprisingly high level of investment in 1979, which at DM 188.4m was up by 60 per cent over 1978 and reached the highest point since 1976.

The high investment was caused by the concentration of store openings in various towns including the setting up of new department stores in Munich, Hamburg and Ludwigshafen. The group's total floor space increased by 4 per cent last year to 989,100 sq metres.

The need for investment in new floor space will fall sharply this year with no new stores planned, but Kaufhof is spending around DM 130m in order to break into mail order.

It has bought a 76 per cent interest in the Friedrich Wenz mail order group, which last year had sales of some DM 400m. The Friedrich Wenz group was a family-owned company founded in 1925, and was one of the few small mail order groups that was still outside the control of the large concerns. The mail order business in the Federal Republic is dominated by Quelle, Otto and Neckermann.

Kaufhof's own sales growth of some 11.7 per cent in the first four months of 1980 must be seen against an expansion of general retail sales in the Federal Republic of some 8.5 per cent in the first three months and of a rise in large retail store sales of 8 per cent in the first three months and of 6 per cent in the first four months.

Margins squeezed at Ericsson

BY WILLIAM DUFFLOR, NORDIC EDITOR, IN STOCKHOLM

THE TOUGHNESS of the competition in world telecommunications is sharply reflected in the 1979 shareholders' report from L. M. Ericsson. The Swedish group's profit margin declined by 1.8 per cent during the year, as the rise in manufacturing costs outstripped sales advances by 19 per cent against 15 per cent in 1978.

But Ericsson's computerised telephone system continued to glean orders, especially in South America, and has steadily increased its market share since 1975. By the end of the year 218 AXE exchanges had been ordered by 21 countries.

The new ASB electronic subscriber switchboards are now being marketed on a large scale and accounted for 40 per cent of the parent company's order intake for subscriber equipment last year.

The management sees in this

switch from electro-mechanical to electronic equipment a "potential for cost reductions" which can improve profitability in spite of the stiff competition.

Ericsson's profit margin turned in 1978-79 earnings of SKr 786m (\$184.2m) for 1979, a rise of SKr 88m, after consolidated sales had climbed by 15 per cent to SKr 9,336m. The board proposes to raise the dividend by SKr 1.50 to SKr 7 a share, although adjusted net earnings slipped from SKr 18.35 to SKr 17.15 a share.

The 1979 operating profit at SKr 740m was down by SKr 42m after depreciation had been increased by SKr 50m. Income from licences at SKr 110m was SKr 25m higher.

The improvement in the pre-tax result is mainly due to a reduction in reported net financial costs from SKr 252m to SKr 83m. This in turn arises from the fact that in 1978

Maffei sales turnover fall

By Jonathan Carr in Bonn

MUNCH-BASED engineering and armaments group Krauss-Maffei expects overall turnover to fall this year because of a reduction in defence contract sales.

As a result particularly of deliveries of anti-aircraft tanks, parent company sales in 1979 rose from DM 1,726m to DM 1,983m.

Swedish builder expects higher 1980 earnings

BY VICTOR KAYFETZ IN STOCKHOLM

SWEDISH CONSTRUCTION group, ABV, formerly Balten, writes in the annual report that although a specific forecast for 1980 earnings is difficult "much would indicate that they can be expected to exceed somewhat those of 1979."

Last year's consolidated pre-tax profit was SKr 76m (\$18m) on turnover of SKr 424m. The proposed SKr 7 per share dividend, up from adjusted SKr 5, will cost the group SKr 6m. The Board recommends a one-for-three bonus issue.

Fiat pulls out of Seat deal

BY RUPERT CORNWELL IN ROME

FIAT, THE Italian car group, is understood to have decided not to take part in the forthcoming capital increase of its associate, Seat, which would have paved the way for it to take outright control of the Spanish car maker.

News of Fiat's move was given in Spain by top officials of INI, the State holding company which with the Italian group is a major shareholder in Seat. Fiat refused official comment on these reports but an announcement from Turin is expected shortly.

Fiat's share of the projected Pta 6bn (\$83m) capital increase by Seat would have represented a capital injection of Pta 2.8bn in line with its present holding of 41 per cent of the Spanish company.

Under an agreement last year, Fiat was due to lift this stake to 81 per cent by buying out INI's interests.

Now, however, the decisive element which appears to have tipped the scales for Fiat seems to have been the huge financial burden it already faces over

Lucas Bols forecasts a further good year

BY CHARLES BATCHELOR IN AMSTERDAM

LUCAS BOLS, the Dutch distilling and drinks group, expects another good year in 1980 after reporting a sharp improvement last year. In the Netherlands, however, a "price war" in the industry is putting pressure on margins.

Net profit rose 47 per cent in 1979 to Fl 45.4m (\$23m), on turnover which was 13 per cent higher at Fl 806m. Volume sales rose by 16 per cent, though an increase in duty-free sales slowed the rate of cash growth.

Profit per share rose to Fl 10.13 from Fl 6.87 after allowing for an increase in capital. The return on assets improved to 20.7 per cent from 16.4 per cent. A total dividend of Fl 4, compared with Fl 3.85, is to be paid.

Optimism for this year is

based on sales forecasts and on the expectation that productivity will improve. Bols says in its annual report. A 20 per cent increase in the level of excise duty on drinks in the Netherlands in January prompted a sharp rise in sales at the end of last year and is expected to depress sales in 1980.

Bols increased its share of the Dutch market in 1979, though the intense price competition meant profits did not keep pace with sales. The Dutch operations contributed only 20 per cent to operating profits, though they account for more like 50 per cent of the company's working capital.

The company's operations in Europe generally improved, though Brazil and Argentina made losses.

Bond steps up battle for White

BY JAMES FORTH IN SYDNEY

THE SPECTACULAR battle for control of White Industries, the New South Wales coal group, continued yesterday with an increased bid from Endeavour Resources, a member of the group of companies associated with Mr. Alan Bond, the Western Australian businessman.

Endeavour, which already holds 43.56 per cent of White, announced that it proposed to lift its partial offer for another 7.5 per cent to give it 51 per cent of the capital—from A\$18.00 a share to A\$20.00. This is in reply to the weekend announcement by the Japanese group Mitsubishi Development, the wholly-owned subsidiary of Mitsubishi Corporation, that it intended to make a partial offer for Endeavour at A\$18.25, just above the earlier Endeavour offer price.

Mitsubishi, which is friendly to the White Board, already holds 15.36 per cent of White

and has Foreign Investment Review Board approval to lift its stake to 25 per cent. The White Board claims to control 39 per cent of White's capital, but this is disputed by the Bond group, which is seeking control through the Endeavour offer. Endeavour has started a legal action in the NSW Equity Court, seeking to cancel a recent issue of 4.5 per cent of White's capital to a staff share scheme.

Mitsubishi's counter bid is an attempt to ensure that the Bond group cannot succeed in its efforts to gain control. The latest Endeavour price values White at almost A\$180m (U.S.\$200m), but the contestants are now fighting over marginal, but strategically vital, holdings. Endeavour, for example, paid only A\$45m for its 43.56 per cent holding.

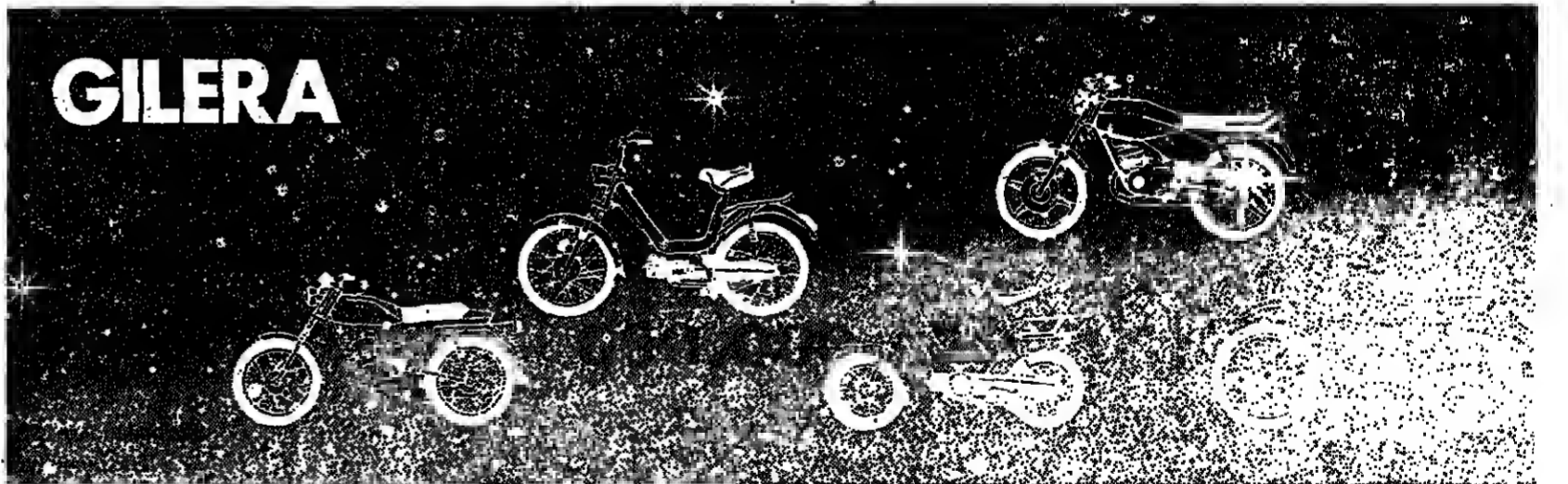
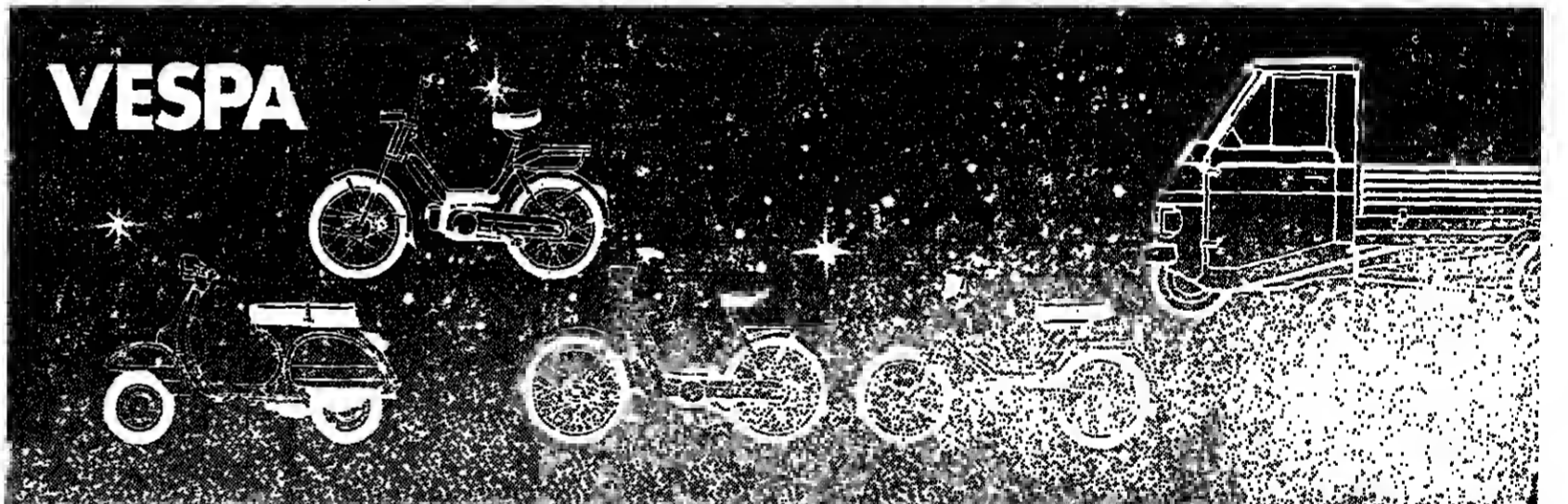
Both Mitsubishi and Endeavour want to stand in the share-

market and purchase any White shares available. However, the Sydney Stock Exchange suspended trading in White shares last week, when Endeavour announced its proposed bid, because of insufficient details. The Melbourne Exchange subsequently suspended trading in Endeavour. Neither of these suspensions has yet been lifted, but suspension of trading in two other bond companies, Basin Oil and Reef Oil, was lifted last Friday.

Basin and Reef were suspended after a reshuffle of the Bonds group's corporate structure, which resulted in Bond corporation acquiring more than 20 per cent of each company. Bond corporation subsequently agreed to a stock exchange requirement that it stand in the market for one month and take all shares offered at the "purchase price" involved in the reshuffle.

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May, 1980

Companies and Markets

INTL. COMPANIES & FINANCE

ANZ Bank consolidates profit lead at halfway

By James Forth in Sydney

ANZ BANKING GROUP pulled further ahead of its largest rival, the Bank of New South Wales, in the March half-year as the biggest profit-spinner among the private trading banks. The ANZ boosted its earnings by 32.4 per cent. from A\$49.7m to A\$65.87m (U.S.\$74.3m). The result compares with a profit of A\$61.5m in the March half by the Wales, Australia's largest private bank in terms of assets.

The ANZ topped the Wales last year as the biggest earner when its profit of A\$107.1m just topped the Wales' A\$106.8m. The ANZ has raised its interim dividend from 10 cents a share to 12 cents, which is in line with the final payment last year, and indicates an increase in the annual payout from 22 cents to 24 cents. This would represent the third successive dividend increase in 1977-78, the ANZ paid 20 cents a share. In contrast, the Wales this year declared an unchanged basic interim dividend of 8 cents a share, but omitted a 2 cents a share bonus element added last year because of a strong first-half profit.

ANZ directors attributed the better result to a general increase in business volumes, higher overseas exchange earnings, greater recoveries of costs through fees and commissions, continued cost control, and increased profitability in the finance company subsidiaries.

They cautioned that operating conditions were expected to be less favourable in the second half, and said that it "may not be easy" to maintain the same level of profitability. The result included for the first time the full results from the Bank of Adelaide, which was forced last year to merge because of property-related liquidity difficulties encountered by its finance company offshoot, Finance Corporation of Australia.

OHIRA DEFEAT

BY RICHARD C. HANSON IN TOKYO

Investors take the blow

TOKYO STOCK prices yesterday took their third largest fall this year in the first session since Prime Minister Ohira's Government failed to win a confidence vote late on Friday. But disagreement between party leaders and the prospect of the unprecedented election of both the Lower and Upper houses of the Diet (Parliament) on the same day next month, apparently have not shattered investor confidence.

The closely-watched Nikkei Dow Index (of 225 leading stocks) suffered a Y86.67 setback on the day, to Y8,634.33. The loss, however, was about Y80 less than that represented by the low for the day. Some securities industry analysts, at the same time, are discounting the political effect on the market. Those who take this view call the drop part of a logical adjustment to the recent high levels of margin trading.

The stock market has been supported in recent weeks by a return of foreign share buying. Net buying from overseas rose to about ¥50bn in April, from only ¥15bn in March. This tends to encourage buying by local investors. The latest trends in U.S. interest rates, and some evidence that domestic inflation might not be as bad as once feared, have reduced the chances of the authorities further tightening credit in Japan and so squeezing earnings.

The outlook therefore for the Japanese economy and for profits is bright at least for the next few months indeed. Industrial production in the January-March quarter expanded by about 5 per cent, while wholesale prices in early May showed the first signs of easing from the 30 per cent plus growth levels reached since February. The moderate, 6.7 per cent wage increases which unions recently

accepted are expected to help keep inflation in check. The market also has to take into account the political make-up of the Government. A coalition between the more conservative opposition parties and the ruling Liberal Democrats could emerge if the LDP loses badly. The sentiment in the market, however, is that the LDP (though split internally) should fare better than the opposition, in part because it has stronger resources going into the hastily called vote.

Securities companies like to argue that the market will remain bullish (after some consolidation) losses simply because the demand for stocks is greater than the supply. One company estimates that new share issues this year by companies trying to raise funds will reach ¥960bn (¥4.2bn). This compares, they say, with potential demand in the market of over ¥3,000bn.

Hong Leong Finance well ahead

SINGAPORE — Hong Leong Finance, of Singapore, achieved a 29.7 per cent gain in group pre-tax profit in the year to December 31 to S\$12.7m (US\$ 5.9m).

Profit before tax and including extraordinary items rose by 57.4 per cent to S\$14.9m, but the company noted that the figure was not directly comparable with the prior year's figure, because of the acquisition of Singapore Finance in February, 1979.

The company has recommended a first and final dividend of 12 cents a share, unchanged from a year earlier, on the enlarged paid-up capital of S\$40.4m. The paid-up capital was increased by a three-for-four rights issue made in conjunction with the acquisition of Singapore Finance. The result is a 75 per cent increase in the amount of dividend paid.

Hong Leong Finance, Singapore's largest publicly quoted

non-bank financial concern, saw after-tax net rise 74.4 per cent to S\$9.8m. Total assets gained 74.4 per cent to S\$91.8m, and total deposits 71.4 per cent to S\$374.2m, while loans outstanding nearly doubled to S\$376.4m.

Under extraordinary items, the company posted a profit of S\$2.2m in 1979, the result of a previously announced sale of

land formerly belonging to Singapore Finance. Gross receipts from the sale were S\$6.6m.

In 1978, the company suffered an extraordinary loss of S\$300,000, on expenses incurred in the takeover of Singapore Finance, Hong Leong Finance said.

Share sales by Haw Par

SINGAPORE — Haw Par Brothers International has announced that it recently sold large blocks of Singapore Land and Cheung Kong (Holdings) of Hong Kong, making an extraordinary profit of S\$6.4m (US\$3m) on Singapore Land and S\$6.7m on Cheung Kong.

Haw Par said it bought 3m shares of Singapore Land (about 3.9 per cent of the issued capital) in the market in late 1979 as a long-term investment, at a total cost of S\$6.4m. Follow-

ing the rise in the share price, Haw Par decided to sell in the market for S\$12.8m.

As a result of a one-for-five scrip issue by Cheung Kong in May 1979, Haw Par's holdings in the Hong Kong-based property concern rose to 6m shares. Haw Par said it has sold 700,000 of the newly acquired shares in the market for S\$6.3m.

The profits are to be used to reduce short-term borrowings pending reinvestment, AP-DJ

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April 1980

COMMODITIES AND AGRICULTURE

Uncertain sugar market as prices fluctuate

BY RICHARD MOONEY

SUGAR PRICES had another uncertain day on the world market yesterday. The August London futures position opened strongly and gained £13.25 during the morning taking it near to last week's 51-year high of \$379 a tonne. But once again the upsurge ran out of steam, and by the close August sugar was quoted only £0.25 up at \$358.25 a tonne.

Dealers said the long-term view in the market remained "bullish" but questioned whether the short-term supply-demand balance justified further gains at this stage. They noted that some countries scheduled to buy sugar recently had turned down offers at tender because the prices asked were considered too high.

Countries which were determined to buy sugar had little

difficulty in finding sellers, the dealers added. Though production was likely to fall short of demand by around 5m tonnes this year, stocks appeared relatively plentiful.

News released yesterday might have been expected in normal circumstances to have encouraged substantial price increases but with prices having already climbed around £100 a tonne in recent weeks, traders were reluctant to buy.

Yesterday's news included the temporary suspension of Thai sugar exports, details of a sharp cutback in Indian output, and a similar gloomy picture for the South African crop.

The Thai suspension is intended to alleviate an acute shortage of sugar on the local market resulting from serious drought damage to the country's crop.

The sugar yield from Thailand's 1979-80 crop is expected to be only 1.05m tonnes compared with 1.8m in 1978-79.

In New Delhi, meanwhile, the Indian Sugar Mills Association said sugar production in the second fortnight of April dropped to 83,000 tonnes from 248,000 tonnes in the same period last year. This brought production in the first seven months of the current season to 3.8m tonnes compared with 5.35m a year earlier.

Latest estimates put the total 1979-80 Indian crop at 4.2m tonnes against 5.55m in 1978-79. The country, which is normally a sugar exporter, is already reported to have imported around 200,000 tonnes of sugar to make good the domestic shortage.

Colorado beetle threat

By Our Commodities Staff

THE THREAT to Britain's potato crop from Colorado beetles grew over the weekend with the discovery of a further 20 of the black and yellow insects in green-grocers' shops around the country.

The Ministry of Agriculture alerted shopkeepers to be on the look-out for the beetles, which could decimate the country's potato harvest, following the discovery of 19 of them at the end of last week. These were traced to a consignment of Italian spinach. Another 20, believed to have come from the same source, were found over the weekend and yesterday the tally rose to 40, though one of these was from a cargo of Portuguese timber.

Farmers fear that if any of the beetles escape detection they could breed quickly in the present hot dry conditions. The National Farmers' Union yesterday appealed to the public to report any discoveries of the beetles to the Ministry.

Warning on milk imports

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

DOORSTEP delivery of milk could not exist in competition with cheaper supermarket supplies, warned Mr. Peter Walker, Minister of Agriculture, speaking at the Dairy Trade Federation conference in Bournemouth yesterday.

He pointed to the situation in Holland where liquid milk consumption had collapsed in such circumstances. The dairy trade, he claimed, had a 21 per cent rise in prices in the past year and in spite of the activities of certain consumer groups, consumption had not been so badly affected.

He re-emphasised the point that the milk industry was all part of a food chain and that farmers were bearing heavy costs. He believed government should, as they do in Europe, actively assist the industry in every way.

A middle way must be found between socialist interference and complete "laissez-faire". This was reinforced by the Federation's wish to see the Government's fact-finding MMB report that the lower

milk consumption which would overlead the market for manufactured products.

There was, he said, no alternative to a managed market and as an example, he suggested that the retail price of milk might be reduced in summer in order to compete with imported supplies.

The next session was dominated by the mounting surpluses in the EEC and its effect on farm incomes because of a farm freeze, and for this different speakers had a confusion of remedies. For Prof. Peter Wilson of BOCM Silcock, the answer was clear: productivity was the essential. More cows fed with more compounds, producing more milk and so increasing gross margins per cow and per acre.

Wisely he did not attempt to say just how the extra milk would be disposed of.

Professor John Marsh of Aberdeen University warned of the danger of equating production with profits. He instigated the fact-finding MMB report that the lower

yielding Irish herds had in fact a higher profit than the high yielding herds in Britain.

He also warned that the cost of galling milk from France to the south east of England would be no more than from, say, Wales or the West of England. How long could a Minister who had fought the French ben on lamb defend our shores against French milk?

All in all, he forecast a difficult future for the UK dairy industry and it was possible that survival would go to those who could lighten their belts.

Sir Henry Plumb, once NFU president and now a member of the European Parliament, could offer little hope unless overall Community supplies could be balanced between supply and demand.

He suggested consideration must be given to market management with adequate reward that part of production that the market could absorb. This would be a difficult task but the only alternative would be the destruction of the milk sector.

Common Agricultural Policy.

World wheat output estimate up

THE INTERNATIONAL Wheat Council (IWC) has raised its estimate of 1979/80 world wheat production to 425.5m tonnes from 420.5m due to an increase in the official Chinese figure to 60m tonnes from 56m.

In its latest market report the IWC said its estimate, covering crops harvested during the 12 months starting April 1, 1979, compares with 450m tonnes in 1978/79.

The IWC lowered its estimate of carryover stocks of the five main exporting countries at the end of their respective 1979/80 crop years to 51m tonnes from 52.7m against 53.1m in 1978/79, following an increase in the U.S. Department of Agriculture's estimate of U.S. exports by 1.4m tonnes to 37.4m for 1979/80 June-May.

The IWC said the outlook for 1980/81 crop in the U.S. remains favourable even though there is concern over dry conditions in U.S. spring wheat areas and soil moisture levels are below normal in Canada.

African wheat imports in the 1979-80 July/June crop year are expected to reach a record 12.8m tonnes.

Cocoa decline continues

BY OUR COMMODITIES EDITOR

LAST WEEK'S decline in cocoa prices on the London futures market continued yesterday as prospects of a surplus of production over consumption for the third year in succession continued to depress market sentiment.

The July futures position slipped to £1.158—its lowest level since August 1976—before steadying in the afternoon to end the day £8 down at £1.168.5 a tonne.

Dealers said the market appeared little affected by the beginning of the Cocoa Producers' Alliance Meeting in Bahia, Brazil, yesterday, which methods of stabilising prices were discussed.

Nor did traders seem impressed by an article in the Ivory Coast newspaper "Fraternite Matin" which quoted M. Claude Cheysson, IEC aid commissioner, as saying that the Common Market should be doing more to help stabilise cocoa prices.

"We must contribute more than we have done so far towards ensuring a stabilisation of the price, or more exactly a capacity to forecast the price," the article quoted M. Cheysson as saying.

"We have to reach an agreement on cocoa. It is important for everyone, consumers and producers," he added.

Around 80 per cent of India's

cocoa bean production may be totally lost following the decision of Cadbury India, one of the main consumers, to stop its purchases from today, industry sources said, reports Reuters from New Delhi.

Cadbury India chairman Prem Pandhi said he had been forced to take this decision because of the closure of the chocolate and Bournvita plant at Bombay by May 7, due to labour problems.

The situation has come as an awkward surprise to a member of brokers who did not expect to be covered by the act. It is understood that the intention behind the legislation was not to bite into deposits taken in the course of identifiable commercial transactions. But the position is complicated where money is profitably held by brokers but not immediately tied to a transaction—for instance between dealers, or where a broker's own margin is lower than that of the client for whom it acts.

The situation could be resolved by a specific statutory exception for commodity brokers, though at least one company, C. Sankar, took the precaution of applying for a licence. For the moment, the brokers are trading nervously while the associations join in consultations with the Bank and Treasury.

Salinity scheme for China's farmland

By Our Commodities Staff

A \$2.3bn plan to improve the productivity of half China's farmland could become a reality following the acceptance of the country into the World Bank.

Lack of finance has prevented China from implementing the plan, which would turn its 3.33m hectares of saline fields into clean, productive land. But the scheme appears to have a good chance of World Bank funding now that China is a member.

The saline fields have impoverished a large part of the plains in Northern China, according to the official Xinhua news agency. Chinese scientists have developed methods of curing the salinity which involve an extensive system of pump wells and drainage ditches.

The method, which also includes the growing of green manure crops to form a layer of rich soil, has been tried on 5,000 hectares of saline land, with the result that grain production improved from 11,000 to 20,000 tonnes between 1974 and 1978, the agency said.

Recovery ahead for Australian wool sales

BY A CORRESPONDENT

WHEN WOOL auctions resumed in Australia at the end of March after a three-months' storemen's strike that blocked sales of 500,000 bales of wool, the question of whether the market would regain the buoyancy it had before the stoppage depended largely on how Japan performed in the sale.

Stocks of raw wool were reported to be desperately low in that country, the presetter at Australian sales, and in some quarters it was assumed that with this vacuum to be filled and the Australian Wool Corporation's stockpile standing at well below the strategic buffer of 250,000 bales, bidding would be brisk.

Such an explanation was too simple. Although last week—the seventh since sales resumed—values appeared to bottom out and be looking tentatively upwards, the average price during the period was some 25 cents, or almost 6 per cent, below the level immediately before sales stopped. This was considerably up on that of the previous season.

Had Japan's shortage been as grim as the country itself

was painting it, demand from there might have tolled prices in sellers' favour, but it is now known that the cries of depletion were more political than technical, a customer's contribution to getting the shop open again and avoiding the situation a real shortage would entail.

Nor did the exclusion of 500,000 bales from sales mean so much as might at first have been thought. Twice that quantity was held on the docks, sold to and swathing shipment, and to that extent making the problem less one of buying wool than of moving it.

The behaviour of the market in the past two months has been unremarkable, wool has been allowed for this and its curiosity is more for what will happen from here on.

During the period in which supply exceeded demand, the corporation's buying reaching 36 per cent of offerings at one stage, amounting to 15 per cent in the week just past and averaging overall about 20 per cent. The odds would appear to be for the recovery of the lower of interest rates in the U.S. should have.

The picture was also blurred by the fact that prices expressed in Australian dollars have been deceptive in as much as the dollar has been declining, and what on the face of it may have looked like appreciation has not been that at all.

Thanks to a swing back to nature and the efforts of the International Wool Secretariat, wool in the past few years or so has been gaining steadily at the expense of man-made fibres, but the total market is not expanding, and at present, with recession expected to worsen, inquiry from early wool processors is restrained as they note the slowness of business at the retail end.

Interest rates are so high that processors have reduced stocks to levels that would once have been thought foolhardy. It is likely that some relief from the malaise that has enveloped wool textiles would see them turn to action, with under-standable impact on prices, but it is hard to see where such a catalyst might be lurking other than the worldwide effect that the lowering of interest rates in the U.S. should have.

The forthcoming announcement of the Australian reserve price for 1980/81, expected to be 10 per cent higher at 350 cents a kilo clean, could spur some additional interest in the remainder of the selling season. So too, towards its close, could fears of a repetition next year of the cottonless strike.

With smaller carryovers in the main exporting countries, the question of current production gains importance. A month ago it seemed as though drought could hit the Australian clip, but with the coming of rain anxiety on this score has abated.

Any shortfall in traditional quarters seems likely to be relieved by the release of wool in South America, where producers are preparing to cash in on supplies they had been holding as a hedge against inflation.

Stocks in the hands of both producers and processors are by no means abundant, and it is hard to see inquiry for wool moderating more than it has already. So the odds would appear to be for the recovery promised at last week's Australian auctions to materialise.

BRITISH COMMODITY MARKETS

BASE METALS				
COPPER—Held steady in quiet trading on the London Metal Exchange. Forward metal traded between £204 and £207 throughout the day with the exception of a brief period after the opening of Comex when the price rose to £212. This level attracted profit-taking and the market drifted back to close at £206.75. Turnover, 15,250 tonnes.				
COPPER	a.m.	Official	p.m.	Official
High Grade	206.75	206.75	206.75	206.75
Low Grade	206.75	206.75	206.75	206.75
Standard	206.75	206.75	206.75	206.75
Wirebars	206.75	206.75	206.75	206.75
3 months	206.75	206.75	206.75	206.75
6 months	206.75	206.75	206.75	206.75
12 months	206.75	206.75	206.75	206.75
U.S. Prod	206.75	206.75	206.75	206.75
Aluminium—Held steady in quiet trading on the London Metal Exchange. Forward metal traded between £204 and £207 throughout the day with the exception of a brief period after the opening of Comex when the price rose to £212. This level attracted profit-taking and the market drifted back to close at £206.75. Turnover, 15,250 tonnes.				
ALUMINIUM	a.m.	Official	p.m.	Official
High Grade	206.75	206.75	206.75	206.75
Low Grade	206.75	206.75	206.75	206.75
Standard	206.75	206.75	206.75	206.75
Wirebars	206.75	206.75	206.75	206.75
3 months	206.75	206.75	206.75	206.75
6 months	206.75	206.75	206.75	206.75
12 months	206.75	206.75	206.75	206.75
U.S. Prod	206.75	206.75	206.75	206.75

COFFEE

to closing the late carb at 2345.5, mover, 5.25s tonnes.

Monday: Cash 2329, three months 2400, 40 carb Three months 2341, 40 carb Three months 2

AUTHORISED UNIT TRUSTS

[illegible][illegible][illegible]

100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200
																				Bishopsgate Progress—Ldn. Agents P.O. Box 42, Dorset, 10 M. 0524-27911 Bishopsgate Progress—Ldn. Agents COUNT—May 6 13,560 14,000 																																																																																

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

Tecalemit
to care for it



FINANCIAL TIMES

Tuesday May 20 1980

Venti-Axia

The first name in unit
ventilation... look for the
name on the product.

AWARD FUELS PUBLIC SECTOR PAY ROW AS BASNETT REFUSES WAGE RESTRAINT

Doctors, dentists win 30% rise

BY PAULINE CLARK AND RICHARD EVANS

BRITAIN'S 84,000 doctors and dentists are to receive a 31.4 per cent pay rise—an award which can be expected to fuel the controversy over public sector pay and comparability exercises.

The award came on the day the Government launched a review of its sector pay strategy.

Mrs. Thatcher called a meeting of eight senior colleagues at Downing Street to discuss how to get across the message that claims aimed at beating inflation irrespective of an industry's circumstances, were totally unrealistic.

In spite of the increasing anxieties of many Conservative MPs, Ministers insist there is

no question of a U-turn and the re-imposition of a formal incomes policy.

Mrs. Thatcher is pinning her hopes in the next pay round on strict cash limits throughout the public sector.

The hope is that these will force lower settlements despite the high level of inflation, but there is no question of setting a "norm" of about 10 per cent as has been suggested.

The doctors' and dentists' rises, costing £312m and recommended by the profession's independent pay review body, angered health service trade union leaders.

They warned that they were no longer prepared to accept a nurses pay settlement—more

than a month overdue—within the 14 per cent NHS cash limit.

Mr. Alan Fisher, general secretary of the National Union of Public Employees, attacked the doctors' award for showing "clearly that the Government has made doctors and dentists a special case at the expense of the whole NHS."

Under the new recommendations, the pay of general practitioners will rise by £4,000 to more than £18,000 a year, top hospital consultants will earn almost £20,000 a year, and dentists' pay will increase to £14,674 a year.

The award is made up of two increases designed to bring the groups' pay into line with other comparable professions.

These include a 10.7 per cent increase owed since 1978 and another 18.7 per cent for this year's pay round.

Health Department officials said yesterday the Government was ready to accept the rises.

Those for hospital doctors would be found out of "global" cash limits.

Dr. John Harvard, secretary of the British Medical Association, said the increases would "do no more and no less than to honour the undertaking given by Mr. Callaghan two years ago that the pay of doctors and dentists working the NHS would be brought full up to date by April 1, 1980."

Editorial comment, Page 18

Unions pledge no help

By Christian Tyler,
Labour Editor

TWO LEADING trade union moderates yesterday declared there could be no co-operation with the present Government, as the TUC formally claimed its day of political protest last week to have been a much bigger success than reported.

But Mr. Frank Chapple of the electrical union (EETPU) condemned the "Day of Action" and called for a new initiative from Ministers that could lead to co-operation between Government and unions.

As often in the past, Mr. Chapple's forthright views have put him at loggerheads with the TUC establishment. The gravest warning came from Mr. David Basnett, chairman of the TUC Economic Committee, who said unions would make no effort to restrain their wage demands so long as the Government continued with its present economic industrial policies.

Unions had lost much of their political influence, he told the conference of his union, the General and Municipal Workers Union (GMBU), in Birmingham.

But the question now was how unions should use their industrial strength to reassert that influence.

Mr. Tom Jackson of the Union of Post Office Workers (UPW) said that a dialogue with the present Government would be pointless because it was not prepared to make any trade-off.

"There can be no co-operation in economic affairs, no tripartite planning, no concerted action, no consensus with a Government which has set out on this sectarian road," he said.

The main lesson of the Day of Action had been that union leaders were "not connected up" with their membership.

That would have to be corrected by a more forceful education campaign.

Mr. Chapple told an industrial conference of the Electricians in Eastbourne: "In one respect the Day of Action has cleared the way for a new initiative. But the Government must push the boat out and the General Council must be big enough to share the rowing."

He castigated the day itself, which, he said, had laid the TUC open to extreme Left-wing domination. He accused union leaders of being militant in public but moderate in private.

The TUC should "stop wasting the precious lives of union members in futile gestures." Political strikes were impressive on the streets, but a sign of weakness on the shop floor.

Details, Page 11

THE LEX COLUMN

Land Securities revalues

Index fell 1.9 to 433.8



The 25 per cent interim revaluation of Land Securities' property was rather more than the market had expected, given the portfolio's concentration on offices, which have performed less well than retail and industrial property over the last year. With the revaluation suggesting net asset backing of about 490p a share, fully diluted, the market price moved up 12p yesterday to an all-time high of 342p.

However, the property sector as a whole did not quite manage to ignite and the index moved up only 0.2 per cent. Of the £11.8m increase in pre-tax profits to £38.1m, nearly £2m can be attributed to reduced interest charges as holders of the 51 per cent and 61 per cent convertible loan stocks decided to convert on income grounds. Less than 10 per cent of these two stocks is now outstanding. With additions to the portfolio over the year running at £26.4m, the company's £7.7m estimate for extra net income arising from reversions looks anything up to £1m on the conservative side.

The key uncertainty facing the property sector is the character of the recession. Certainly Land Securities is treating it with respect, with net debt falling from 37 to 21 per cent of fully-diluted equity over the year once the revaluation is taken into account. The cost of drawing in horns can be counted on the tax front, where the effective rate moved up from 37 to 42 per cent—equivalent to nearly £2m in lost cash. The company should make £43m pre-tax next year without too much difficulty; the yield is 3.3 per cent.

Investigations

With one or two qualifications, the changes planned by the Government in the company investigation system are welcome. UK companies are relatively free from close statutory control, which is satisfactory only so long as statutory machinery is available for investigating and punishing wrongdoers quickly and effectively. But there has been too little urgency about the investigation process in recent times. Department of Trade inspectors have often taken years to complete their task.

Now they will normally be expected to finish the job within 12 months of their appointment. They will certainly be helped in this by the fact that the Department is going to be more specific in the future about the particular

matters it wants them to look into.

In addition, the Department is publishing a handbook of the workings of the system, and the guidelines which inspectors are asked to follow. This should help to promote public confidence in what is essentially an inquisitorial rather than a judicial system of inquiry.

Inspectors have been criticised for being too willing to pass judgment on the character of everyone involved in a particular case. The handbook makes it clear that their job is simply to ascertain and explain the facts in a fair and reasonable manner. In an inquisition, lawyers should be kept as far in the background as possible. So it is important that inspectors should not make witnesses feel that they are being persecuted unnecessarily.

Yet although investigations are going to be conducted more swiftly in future, that will not in itself make them more effective. The Department needs to be snappier, too, both in making the decision to appoint inspectors and in publishing their completed work. The hope is that reports will be published within three months of completion in future. But where there is a possibility of prosecution, involving reports can and do go into a state of suspended animation. The next priority must be to find more satisfactory ways of using evidence produced by the inspectors to convict wrongdoers.

Nimslo

Two years ago Dr. Jerry C. Nimslo extracted £3m from British investment institutions for the improbable purpose of financing the development of a

3-D photographic system. Now he is back to try the UK fund managers for another £7.1m needed to bring his camera to the market next year. And he is not one for small-time projections. The lure he is dangling before the investors is that pre-tax profits in 1982 could reach \$20m, in which these British backers would have a 30 per cent stake. By 1985, based upon the views of various consultants "independently synthesised" with the help of Booz, Allen and Hamilton, these profits could rise to \$98m. Of course, investors will also be well aware that the project could alternatively be a resounding flop.

It is the sheer complexity of the Nimslo corporate structure that is the striking aspect. Just as a Nimslo camera needs four lenses, the group has four companies. Baring Brothers and Carr Seabag have placed equity and loan stock in an entirely new company called Nimslo European Holdings, into which UK holders of the British company Nimslo Ltd. are also being invited. NEH will own 30 per cent of Nimslo Ltd., and to give it a bit more substance it is also being injected with 30 per cent of the U.S. rights to the Nimslo system through a new U.S. vehicle called Nimslo Corporation. At the top of the pile remains Dr. Nims' own company Nimslo Technology Inc.

Tax problems are said to lie behind this structure. At the same time, an anecdotal benefit for Dr. Nims could be that there is no dilution of ownership, and indeed NTI will now control 70 rather than 60 per cent of the project even though substantial external finance has been injected. True, NTI has chipped in with the U.S. rights. It is keeping the rights to certain other territories, notably Japan, for an option on 30 per cent of which NEH finds it worth paying £850,000 in cash.

Output

The industrial production figures for March do at last give tenuous evidence of a developing recession, once allowance has been made for the effects of the steel strike, which began to hit engineering output during the month. But this mild decline—the first quarter as a whole showed an underlying fall of less than one per cent over average 1979 levels—fades into insignificance beside the recent experience in the U.S.

Citibank starts new UK scheme

By Michael Lafferty, Banking Correspondent

CITIBANK of New York, the second largest bank in the world, will today launch an attack on the UK retail banking market with a savings and loans service of a type not yet available from the big British clearing banks.

The scheme, called Citibank Savings, will include a form of current account on which credit balances will attract interest at 13 per cent.

It is now clear that Citibank, the largest international retail bank in the world, is intent on rapidly expanding its UK retail business. It has considered several possible acquisitions, including the UK market, including UDT, the finance house which is still receiving support from the clearers.

All the options so far considered have been rejected, and Citibank is now considering whether it should make an offer to purchase around 100 surplus branches of the big clearers.

The new UK service will be offered through seven branch offices of Citibank Trust, a finance house business. The branches involved in the pilot scheme are in Birmingham, Coventry, Hanley, Leicester, Nottingham, Wolverhampton and Worcester.

If the service proves successful it will be extended to Citibank Trust's 33 other offices throughout the UK.

The product range on offer includes three savings accounts, loan accounts ranging from personal loans to £100,000 mortgages, and something known as "the tandem account." This involves a single account for savings and borrowing. The customer pays in a regular amount and gets the right to borrow up to 30 times the amount of the subscription.

Citibank says the account is special because it gives customers the convenience of a cheque account with a guarantee card, a monthly subscription to aid budgeting, interest on credit balances and the automatic right to borrow—all in one account.

Citibank sees itself offering British consumers an entirely new choice in retail banking, in the sense that they will be able to get a comprehensive range of savings and loan products under one roof.

"The success of Citibank Savings will restructure the market in this country. From now on there will be clearing banks, building societies, Citibank Savings," Mr. Barry Burkholder, managing director of Citibank Trust, said yesterday.

Citibank's plans have attracted keen interest from the clearing banks, which are themselves preparing new personal banking services. Other U.S. banks, including Bank of America, the largest bank in the world, and First National Bank of Boston, are also entering the UK market for personal banking services. They are attracted by the fact that the UK adult population is only 35 per cent banked.

Bank drops prime to 16%

BY IAN HARGREAVES IN NEW YORK

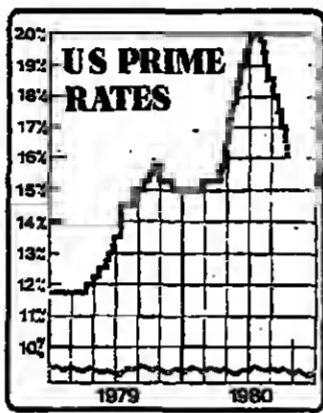
MORGAN GUARANTY, the New York Bank, yesterday lowered its prime lending rate by a half a point to 16 per cent in spite of continued uncertainty about the outlook for other short-term interest rates in the U.S.

The Morgan Guaranty move was followed by one medium-sized West Coast bank, leaving most large banks with a 16 1/2 per cent prime and some still at 17 per cent. This compares with a mid-April peak of 20 per cent.

The uncertainty on interest rates was also reflected in a different context when Mr. William Miller, Treasury Secretary, said it was still too early to conclude that the U.S. economy was heading for a severe recession.

Mr. Miller, in a Press interview, suggested the sharp drop in economic activity in April could produce an L-shaped recession (a sharp drop followed by a plateau) rather than a V-shaped downturn.

Faced with increasing concern that the recession may be as severe as that which took place in 1973-75, Mr. Miller appealed



quarter of last year to this year's fourth quarter in the July economic policy review.

Most Administration economists seem to be plumping for a 2 to 3 per cent downturn, from peak to trough, compared with 5.6 per cent in 1973-75.

Evidence of the downturn continued to amass yesterday, when the Commerce Department reported that personal income in April rose by a meagre 0.1 per cent, compared with a 0.7 per cent rise in March.

In the credit markets, trading was quiet as traders and investors assessed the climate for today's meeting of the Federal Open Market Committee, which determines the money-market policy of the Federal Reserve.

Wall Street economists who belong to the severe recession school of thought expect the Fed to ease credit-market conditions because the money supply is still, in spite of the big jump reported on Friday, declining rather than growing in line with the central bank's targets.

France and USSR still 'far apart'

BY CHRISTOPHER ROBINSKI IN WARSAW

FRANCE and the Soviet Union remained "far apart" in their approach to a political settlement to the Afghan crisis after five hours of talks between President Leonid Brezhnev, of the Soviet Union, and President Valery Giscard d'Estaing, of France.

But M. Jacques Blot, the French spokesman at the talks, said the meeting, the first between any Western head of Government and the Soviet leader since the Soviet invasion of Afghanistan, attained its objectives, which were to permit a frank and complete explanation at the highest level.

"The explanations given by each side revealed positions

which were far apart and which remain far apart," he said. But he emphasised that Mr. Brezhnev had insisted several times on the Soviet Union's commitment to a political settlement. This was first spelled out in proposals from Kabul last Wednesday, and repeated at last week's Warsaw Pact gathering here. These proposals have, however, been met with scepticism by both Afghanistan's Moslem neighbours and by Western leaders.

At Warsaw's military airport, before leaving for Paris, President Giscard spoke of a frank and complete review of world developments since the Soviet invasion of Afghanistan.

At the five-hour meeting, which was hosted by Mr. Edward Gierek, the Polish leader, President Giscard proposed that a top-level conference of major countries be held next year to examine the causes of world tension. The proposal to hold such a meeting, limited to the leaders of major nations, runs counter to last week's Warsaw Pact initiative for a broader meeting of all countries in the near future.

The Afghan question evidently dominated the talks, which included a three-way session attended by the Polish leader.

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Continued from Page 1

Tensions high in Miami

hingo game. His trial began last week, with only one black serving on his jury.

There were among the surface instances that so enraged Miami's blacks. Yet there is also an economic factor in the city which may be unique in the U.S.—the perception that blacks were in the process of being relegated from the status of second class citizens to the third rank as a result of the influx into Miami of Hispanics, principally from Cuba.

Blacks complain frequently that employment opportunities are denied to them simply because they do not speak Spanish. In a poll last week in the Miami Herald more than half of the local black community viewed the latest Cuban immigration as having "largely negative impact" on their own existence.

This does not mean that black resentment against Latinos constituted an overt reason for the weekend's riots. But many local blacks believe that the city's white hierarchy (which, it must be stressed, enjoys an enlightened reputation by the standards of other Florida cities) has focussed much more on the demands of Latinos than themselves.

Now, the problem for Miami is to try and restore communications. But, as Mr. T. Willard Flair, black chairman of the Miami chapter of the Urban League, put it, "It is impossible to appeal to the senses at this point. How can you say to people to be rational when they have been treated in an irrational manner? Anybody going out there tonight would not be heard."

Continued from Page 1

Output

the final quarter of 1979.

Production by all industries other than oil and gas fell by 2.7 per cent in the quarter. Officials believe that 2 to 2.5 per cent of this drop may have been due to the steel strike.

Manufacturing industry output, particularly hard hit by high stock levels, weak demand and the strong pound, declined 3.5 per cent.

Manufacturing production, which has a weighting of about 70 per cent of the all-industry index, is down to its lowest level since the end of 1975. The Government expects a decline of 4.5 per cent this year.

Sectors like metal and engineering which were directly affected by the steel strike were particularly depressed in March. Chemical, textile and furniture companies also cut production, indicating a fairly widely-based downturn in demand.

Inmos stake 'worth £18m in 1984'

BY GUY DE JONQUIERES

SHARES in Inmos held by its three top directors could be worth £18m by 1984 if the company performs according to their projections.

This was disclosed yesterday by Dr. Richard Petritz, one of the founders of the microchip manufacturing project, at a hearing of the Commons all-party committee on information technology.

The committee was also told by Mr. Ian Haliday, chief executive of the National Enterprise Board, that the General Electric Company was still discussing with the board the possibility of taking a stake in Inmos.

This contrasts with recent widespread indications that GEC had lost interest in the idea.

As recently as last weekend, the NEB, which at present owns the majority of Inmos shares, was planning to tell the Industry Ministry that GEC had no interest in continuing the discussions.

Outlining Inmos's medium-term plans publicly for the first time, Dr. Petritz forecast it would have an annual revenue of £146m and fixed assets worth £75m by 1984.

If these objectives were met, he said, the 900,000 Inmos shares purchased by the three founders at 5p per share would be worth a total of £18m. The value of the NEB's holding would be £7m.

But in realising the value of these investments, the three founders would have to convert

their initial shares through a complicated mechanism which would apparently require prior approval of the NEB.

Dr. Petritz was adamant that, despite continuing delays in the Government's decision whether to approve a further £25m in funding for Inmos, the project stood in excellent chance of success.

As a relatively small and agile newcomer to the semiconductor field, it could outperform some of its bigger established competitors in technological innovation.

"There has never been a better time to start a new company," he said. Similar ventures have not been started in the U.S. recently because the

American capital markets would not provide the money required.

Dr. Petritz insisted that Inmos' UK factory must be sited in Bristol, because an attractive site was needed to attract the "super stars" he expected to form the nucleus of the company's staff.

A number of senior Ministers believe the factory should be located in an economically depressed region, and have suggested that this should be made a condition of the Government's approval of Inmos' request for the £25m.

Dr. Petritz said that Inmos would need more than £50m in Government funding, and forecast that after 1983 the company could raise for itself any additional financing needed.

Weather

UK TODAY
SUNNY in east, showers spreading from west. Hot in the southeast, warm elsewhere. London, E. and S.E. England, E. Anglia.

Dry and sunny, light wind. Max. 23C (73F). Channel Is. Central and N. England. E. Midlands. Borders, Edinburgh and Dundee areas. Sunny at first, showery later. Max. 20C (68F).

Cloudy with sunny periods and some showers. Max. 18C (64F). Outlook: Some early showers. Cooler.

WORLDWIDE

	Y'day		Y'day			
	midday	F	midday			
Ajaccio	C	18	64; Lisbon	S	23	73
Algeria	C	18	64; Locarno	S	17	63
Amst.	S	23	73; Madrid	S	23	73
Athens	C	19	66; Luxembg.	C	18	64
Bahraïn	S	25	77; Paris	S	23	73
Berlin	C	19	66; Prague	F	19	66
Bombay	F	23	73; Stockholm	F	22	72
Buenos	C	19	66; Vienna	C	18	64
Calcutta	S	25	77; Winnipeg	F	20	68
Cairo	C	21	70; Moscow	C	21	70
Cardiff	S	14	57; Munich	C	14	57
Chennai	S	21	70; Nairobi	C	14	57
Copenhagen	S	17	63; Osaka	C	12	54
Dublin	S	21	70; Seoul	C	12	54
Edinburgh	S	21	70; Singapore	F	19	66
Helsinki	S	18	64; Taipei	C	22	72
Hong Kong	S	18	64; Tokyo	C	22	72
Imbros	S	21	70; Yokohama	C	22	72
Jakarta	S	25	77; Yokohama	C	22	72
Johannesburg	S	25	77; Yokohama	C	22	72
London	S	17	63; Yokohama	C	22	72
Los Angeles	S	25	77; Yokohama	C	22	72
Lyons	S	17	63; Yokohama	C	22	72
Manila	S	25	77; Yokohama	C	22	72
Mexico City	S	25	77; Yokohama	C	22	72
Moscow	C	21	70; Yokohama	C	22	72
Mumbai	S	25	77; Yokohama	C	22	72
Nairobi	C	14	57; Yokohama	C	22	72
Osaka	C	12	54; Yokohama	C	22	72
Paris	S	23	73; Yokohama	C	22	72
Prague	F	19	66; Yokohama	C	22	72
Rangoon	S	25	77; Yokohama	C	22	72
Reykjavik	F	19	66; Yokohama	C	22	72
Rome	C	18	64; Yokohama	C	22	72
Sao Paulo	S	25	77; Yokohama	C	22	72
Seoul	C	12	54; Yokohama	C	22	72
Singapore	F	19	66; Yokohama	C	22	72
Stockholm	F	22	72; Yokohama	C	22	72
Taipei	C	22	72; Yokohama	C	22	72